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## INTRODUCTORY SECTION

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PAUL E. PATTON  
GOVERNOR

**OFFICE OF THE SECRETARY**  
FINANCE AND ADMINISTRATION CABINET  
383 CAPITOL ANNEX  
FRANKFORT, KENTUCKY 40601  
(502) 564-4240  
(502) 564-6785 FAX

JOHN P. McCARTY  
SECRETARY

January 31, 1998

The Honorable Paul E. Patton  
Governor, Commonwealth of Kentucky  
The Capitol Building  
Frankfort, Kentucky 40601

Dear Governor Patton:

### INTRODUCTION

In accordance with Section 48.800 (3) of the Kentucky Revised Statutes (K.R.S.), it is my pleasure to transmit to you the Comprehensive Annual Financial Report of the Commonwealth of Kentucky for the Fiscal Year Ended June 30, 1997. This report is prepared by the Finance and Administration Cabinet, Office of the Controller, Division of Accounts, which is responsible for the accurate, complete, and fair presentation of the data contained herein. The information presented fully describes the Commonwealth's financial position and results of operations as measured by the financial activity of the various funds. All appropriate disclosures necessary for the reader to gain the maximum understanding of Kentucky's financial affairs are included.

The report is presented in three sections: introductory, financial, and statistical. The introductory section includes the transmittal letters, the 1996 Certificate of Achievement, condensed summary data charts, and the government's organizational chart and list of principal officials. The financial section includes the auditor's report on the financial statements and schedules, the general purpose financial statements and Notes to Combined Financial Statements, the combining and individual fund and account group financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

#### *The Reporting Entity and its Services*

This report includes all funds, account groups, and component units for which the Commonwealth is financially accountable, based on criteria established by the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100.

The component units which are blended into the Commonwealth's primary government are: the State Property and Buildings Commission, Kentucky River Authority, Kentucky Lottery Corporation, Kentucky School Facilities Construction Commission, Turnpike Authority of Kentucky, Board of Agriculture, and Kentucky Savings Bond Authority.

The Commonwealth's discretely presented component units are: the Kentucky State Fair Board, Kentucky Center for the Arts Corporation, Bluegrass State Skills Corporation, Kentucky Educational Television Authority, Kentucky Economic Development Finance Authority, Kentucky Higher Education Assistance Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Educational Savings Plan Trust, Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Agricultural Finance Corporation, Kentucky Grain Insurance Corporation, Kentucky Local Correctional Facilities Construction Authority, and the eight state supported universities.

The Commonwealth provides the full range of services contemplated by statute, including economic development, educational and human services, energy and natural resources management, law enforcement, correctional and

public protection services, transportation, public improvements, and general legislative, administrative, and judicial services.

## ECONOMIC CONDITION AND OUTLOOK

The U.S. economy has shown robust growth during the current expansion which began in March 1991. In 1997 real gross domestic product (GDP), an inflation adjusted measure of the total output of goods and services in the United States, averaged a growth rate of 3.3%.

Low inflation, strong industrial production, low mortgage rates, and an almost effusive amount of consumer confidence marked 1997. Consumer confidence was, and continues to be, at record highs. This helped keep spending growth strong, and directly resulted in the growth of durable goods production and housing starts.

The Kentucky economy has continued to prosper under the same favorable circumstances that have propelled the national economy. During 1997, Kentucky's personal income grew by an estimated 6.1% versus the 5.3% U.S. average. Nonagricultural employment increased 2.1%, almost at par with the national average of 2.2%. Manufacturing employment in Kentucky did suffer in 1997 due to the restructuring of the apparel industry. The unemployment rate in Kentucky averaged 5.5% compared to 5.2% nationally.

The strong growth in both the U.S. and Kentucky economies is expected to continue albeit at a slightly mellowed rate.

## MAJOR INITIATIVES

During 1997, your 33 point strategic agenda set the Commonwealth on the path of achieving economic opportunity and a standard of living above the national average in the next 20 years.

**Strategic Agenda** - The five major strategies and supporting initiatives identified were: (1) promoting economic development through workers' compensation reform, a regional industrial park plan, Renaissance Kentucky, a transportation plan, the Tourism Development Act, a forestry initiative, the Water Resources Commission, the Kentucky Appalachian Commission, the Military Affairs Commission, a skills training tax credit, and the Venture Capital Fund; (2) improving the education product by implementing postsecondary education reform, the KERA Task Force, and guaranteed raises for teachers; (3) building self-sustaining families with welfare reform, the Office of Child Abuse and Domestic Violence Services, health care initiatives, reduction in teen smoking, and child protective services legislation; (4) strengthening the financial condition of state government through Empower Kentucky, a balanced budget, the classification and compensation study, a revised tax policy; and (5) reducing crime and its costs to society with a Criminal Justice Response Team, a juvenile justice plan, corrections improvements, enhanced penalties for hate crimes, and providing law enforcement with better and more efficient resources.

**Financial Policy** - 1997 accomplishments were highlighted by maintaining a structurally balanced General Fund budget. This objective was achieved by matching annual expenditures to annual revenues, irrespective of the fact the Commonwealth operates on a constitutionally based biennial budget. At year end, General Fund revenues substantially exceeded the consensus annual revenue estimate. The 1997 expenditure plan was accomplished within the budgeted limits of the General Assembly's appropriations. The Commonwealth continued to maintain a Budget Reserve Trust Fund balance of \$200 million. In recognition of these and other accomplishments, Standard and Poor's upgraded the Commonwealth's bond rating to AA. And, despite continuing reduction in the revenue base in the form of tax relief involving five major General Fund taxes and a major cut in the medical providers' tax, budgetary basis undesignated ending fund balances were \$284 million in the General Fund and \$19 million in the Transportation Fund.

**Postsecondary Education Improvements** - The May 1997 Special Session of the General Assembly adopted your postsecondary education improvement program as an essential and timely counterpoint to the nationally acclaimed Kentucky Education Reform Act (KERA) of 1990. The new measure, adopted as House Bill 1, embraces setting statewide postsecondary education goals aimed at achieving nationally recognized stature. It also created both a stronger coordinating authority, the Council on Postsecondary Education (CPE), and a Strategic Committee on Postsecondary Education (SCOPE) to provide Executive and Legislative policy direction to the improvement efforts.

Six Strategic Investment and Incentive Funding programs were established along with a \$100 million additional commitment beyond enacted base budgets by the end of the ensuing biennium. One centerpiece of the new program was the authorization of a Commonwealth Virtual University. Another critical change was the creation of a Kentucky Community and Technical College System (KCTCS) to merge, elevate, and sharpen the focus of the previous community college and Kentucky Tech systems. The five most important goals defined during the Special Session were: (1) providing an integrated postsecondary education system to enhance job opportunities and quality of life for Kentucky's citizens; (2) making the University of Kentucky a top twenty nationally ranked public research institution and the University of Louisville a nationally recognized metropolitan research university; (3) promoting cooperation among regional universities and other postsecondary institutions to give all Kentuckians access to high quality bachelor and master degree programs. Each regional university was encouraged and directed to develop at least one nationally recognized program of distinction or applied research program; (4) designing a KCTCS that provides access to two-year general studies programs for transfer to a baccalaureate program; to technical skills programs designed to help Kentucky workers find better jobs and to attract employers to the Commonwealth; and to remedial and continuing education to improve the employability of students; and (5) developing an efficient, responsive system that delivers services of a quality and quantity comparable to the national average.

A supplemental Appropriation Act, House Bill 4, was also passed providing an immediate \$38 million in additional 1998 funding to strengthen the promise of much more to come.

**Workers' Compensation Reform** - Workers' Compensation reform initiatives were previously enacted in 1994 and 1987. Nonetheless, by late 1996 it had been concluded that the existing system was still inefficient, too costly for employers, and responsible for diminished economic competitiveness for the Commonwealth. The system also did not adequately compensate truly injured workers having experienced job disabling injuries. Additionally, it was projected that the Special Fund, or second injury workers' compensation fund, would be insolvent as early as 2002 under the existing statutory funding scheme. The Special Fund's unfunded liability totaled approximately \$2.6 billion, even though Kentucky employers paid the highest subsequent injury fund assessments in the nation.

During the December 1996 Special Session of the General Assembly a comprehensive reform measure was introduced at your behest and enacted as House Bill 1 improving access and enhancing delivery of worker benefits through a less adversarial system. The reform also improved carrier and self-insured employer performance, provided greater efficiency and promptness in resolving claims and reducing premium costs to employers.

Among the specific major features of the legislation were provisions to: set up an administrative process to decide claims in 90 days; limit attorneys' fees; redefine injury; use standardized, objective AWA guidelines; delete Special fund liability for black lung claims occurring on and after December 12, 1996, and create a second injury fund known as the Coal Workers' Pneumoconiosis Fund (CWP) paid for by the coal industry for black lung claims; increase death benefits; allocate \$19 million in General Fund coal severance tax receipts each year to pay old Special Fund debts; reduce a planned increase in Special Fund non-coal and coal industry assessments; mandate disability assessments by impartial medical doctors at the University of Kentucky and the University of Louisville in disputed cases, limit major future increases in workers' compensation premiums unless first reviewed and approved by the Commissioner of Insurance; and abolish the Workers' Compensation Board as of July 1, 2000, with appeals going directly to the Court of Appeals after that date.

**Empower Kentucky** - The Empower Kentucky program, initially authorized by the 1996 Regular Session of the General Assembly at your urging, moved to the stage of individual process identification and implementation during 1997. The \$103 million in surplus/contingent General Fund cash support provided at the onset of 1997 became available for specific reengineering initiatives when endorsed by a joint Executive/Legislative Redesign Steering Committee the following January. Seven major processes, cutting across virtually all state agencies, were recommended by the Committee. Two of these, the Simplified Revenue System and the Simplified Administrative System, were fully funded from the initial appropriation. In concert with the other five, for which seed money was provided, the Committee set in motion a broad-based, nationally recognized initiative with a financial value, combining General Fund savings and enhanced revenue collections from the existing tax base, estimated at \$690 million over eight years. As part of these reengineering efforts, each process included multiple subprocesses, including for the Simplified Administrative effort the adoption of a "best value" approach to procurements, providing "prompt payment discounts, optimizing warehouse operations through consolidations of inventory space, and the closure of excess facilities, reducing paper reports, streamlining both the budget preparation and allotment process, implementing due date processing and a lock box cash receipts project for investments, increasing reliance on electronic funds transfer tax payments to maximize investment income, and most important, a redesigned financial management system."

The Simplified Revenue effort includes subprocess initiatives to install an integrated tax system and a concerted effort called "tax gap" to ensure all taxes presently due and owing are, in fact, collected primarily through electronic cross-checking and enhanced use of technology.

**Capital Projects/Bond Financing** - Capital projects authorized by the 1996 Regular Session of the General Assembly were formally initiated at the start of 1997. A minimal number of new debt financed projects were authorized for the 1996-98 biennium and substantially more bonded indebtedness was retired than was authorized. As a strategic compliment to the \$103 million Empower Kentucky initiative, a list of capital projects totaling an identical \$103 million for 27 statewide construction projects was authorized. Examples include authorization to construct secure juvenile detention centers; a number of university and community college projects emphasizing research, new classrooms, technical training, and an animal science research center; and the completion of numerous state park projects previously authorized to be designed. These projects were later converted by the General Assembly from cash financing to bond financing during the May 1997 Special Session to free up available cash for tax refund requirements.

**Juvenile Justice** - A pledge to make changes in the Commonwealth's Juvenile Justice system was one of very few major initiatives you promised during the gubernatorial campaign. Your support for major changes reflected widespread public dissatisfaction with the increase in juvenile crime, particularly violent juvenile crime, as well as an increasing concern by elected public officials that the costs of juvenile detention were too high and were disproportionately borne by local governments. At the same time, at the state level, juvenile justice responsibilities were still divided between several cabinets and agencies with no coherent policy continuum or statutory structure. Moreover, in late 1995, the Commonwealth's system of post-adjudicating juvenile justice had been placed under an Agreed Order with the U.S. Department of Justice to ensure and oversee numerous improvements and reforms.

In response, the 1996 Regular General Assembly Session enacted House Bill 117 overhauling the Commonwealth's Juvenile Justice system and realigning and consolidating organizational and financial responsibilities into a new Department of Juvenile Justice under the Kentucky Justice Cabinet. The effective date for this change was originally to be July 1, 1997, but an Executive Order was soon promulgated effecting the change earlier, in mid 1997. Concurrently, the Commonwealth authorized the construction of two new secure juvenile detention facilities to be financed and operated by the state and directed that a third such facility be completed. These three facilities were the Commonwealth's first major foray into the provision of secure (pre-adjudicatory) juvenile detention. Most recently, the May 1997 Special Session of the General Assembly authorized a supplemental \$4 million appropriation for further Juvenile Justice improvements, including new prevention programs as well as additional funding for the Agreed Order and statutory reforms.

**Other Initiatives/Policies** - It is worth reemphasizing the Commonwealth continued to "stay on course" with regard to funding and support of the significant features of KERA and the elementary and secondary education improvements envisioned by the landmark legislation.

## FINANCIAL INFORMATION

### *The Accounting System and Budgetary Controls*

The Commonwealth's financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP). The governmental funds, expendable trust funds, and agency funds are presented on the modified accrual basis of accounting whereby revenues are recognized when measurable and available, and expenditures are recognized when goods or services are received and the related liabilities are incurred. The proprietary and pension trust funds are presented on the accrual basis of accounting with all revenues and expenses recognized when the transactions occur, regardless of when related cash is received or disbursed.

In developing and operating the Commonwealth's accounting system, emphasis is placed on the adequacy of internal accounting controls. They are designed to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that financial records are reliable for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use, and that such cost-benefit evaluation requires estimates and judgments by management. All internal control evaluations occur within this framework.

Budgetary control is maintained at the budget unit level described in the Notes to Combined Financial Statements by

the encumbrance of estimated purchase amounts prior to the release of contracts to vendors. Contracts which result in overruns of available balances are not released until budget revisions are approved or additional appropriations are made. Open encumbrances are reported as reservations of fund balances in the Commonwealth's Special Revenue and Capital Projects Funds at June 30, 1997.

**General Fund Condition - Budgetary Basis**

General Fund revenue on a budgetary basis for 1997 was \$5.68 billion, an increase of 5.6% over 1996. This amount includes \$5.66 billion in tax and non-tax receipts, and \$20.55 million of Operating Transfers In. Taxes represented 95.0% of all General Fund revenue collected during the period. The amounts and percentages of 1997 revenue derived from specific sources and the changes from 1996 are shown below (expressed in thousands) and are illustrated in Chart 1.

**General Fund Revenue and Other Financing Sources - Budgetary Basis**

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 1996	
			Amount	Percent
Individual Income Tax	\$ 2,205,023	38.8%	\$ 130,451	6.3%
Sales and Gross Receipts Taxes	2,052,228	36.1%	97,308	5.0%
Property Taxes	455,739	8.0%	46,562	11.4%
Corporate Income Tax	292,753	5.1%	8,020	2.8%
Non-Tax Revenue	262,321	4.6%	13,190	5.3%
Severance Taxes	186,642	3.3%	518	0.3%
License and Privilege Taxes	110,339	1.9%	16,903	18.1%
Inheritance and Estate Taxes	95,287	1.7%	13,846	17.0%
Operating Transfers In	20,548	0.4%	(26,724)	(56.5)%
Miscellaneous Taxes	3,221	0.1%	(128)	(3.8)%
<b>Total General Fund Revenue</b>	<b>\$ 5,684,101</b>	<b>100.0%</b>	<b>\$ 299,946</b>	<b>5.6%</b>

General Fund expenditures on a budgetary basis for 1997 totaled \$5.65 billion, including Operating Transfers Out of \$447.62 million. During 1997, expenditures increased by 5.0% and transfers increased by 35.3% compared to 1996. The general government function includes \$724.65 million of expenditures and \$8.46 million of transfers for the eight State supported universities, which together amount to 13.0% of the General Fund total. The amounts and percentages of 1997 expenditures for the various governmental functions and the changes from 1996 are shown below (expressed in thousands) and are illustrated in Chart 1.

**General Fund Expenditures and Other Financing Uses - Budgetary Basis**

Function	Amount	Percent of Total	Increase (Decrease) from 1996	
			Amount	Percent
General Government	\$ 1,330,155	23.5%	\$ 160,557	13.7%
Legislative and Judicial	153,013	2.7%	7,876	5.4%
Commerce	119,681	2.1%	10,999	10.1%
Education and Humanities	2,607,843	46.2%	106,975	4.3%
Human Resources	1,044,291	18.5%	24,477	2.4%
Justice	302,950	5.4%	50,227	19.9%
Natural Resources and Environmental Protection	49,479	0.9%	3,222	7.0%
Public Protection and Regulation	36,219	0.6%	36	0.1%
Transportation	5,263	0.1%	347	7.1%
Non-budgetary Items	160	0.0%	(1,653)	(91.2)%
<b>Total General Fund Expenditures</b>	<b>\$ 5,649,054</b>	<b>100.0%</b>	<b>\$ 363,063</b>	<b>6.9%</b>

The General Fund had a 1997 budgetary undesignated fund balance of \$284,116,626. This is an increase of \$60,689,058 when compared to the 1996 year-end budgetary undesignated fund balance of \$223,427,568.

### **General Governmental Functions - GAAP Basis**

General governmental functions on a GAAP basis are accounted for in four governmental funds - General, Special Revenue, Debt Service, and Capital Projects. Revenue for general governmental functions totaled \$10.94 billion for 1997, an increase of 6.0% over the amount recognized during 1996. The amounts and percentages of 1997 revenue derived from specific sources and the changes from 1996 are shown below (expressed in thousands) and are illustrated in Chart 2.

#### **Governmental Funds Revenue - GAAP Basis**

Revenue Source	Amount	Percent of Total	Increase (Decrease) from 1996	
			Amount	Percent
Taxes	\$ 6,487,188	59.3%	\$ 331,622	5.4%
Intergovernmental	3,625,241	33.2%	230,353	6.8%
Charges for Services	262,366	2.4%	(14,799)	(5.3)%
Other Revenue	193,206	1.8%	59,682	44.7%
Licenses, Fees, and Permits	164,557	1.5%	1,226	0.8%
Interest and Investments	155,878	1.4%	6,970	4.7%
Fines and Forfeits	48,538	0.4%	8,053	19.9%
<b>Total Governmental Funds Revenue</b>	<b>\$ 10,936,974</b>	<b>100.0%</b>	<b>\$ 623,107</b>	<b>6.0%</b>

1997 Governmental Funds Revenue was \$623.1 million over 1996. Higher Tax and Intergovernmental receipts account for 90.2% of the increase. All eight major tax sources, primarily in the General Fund, went up \$331.6 million. Intergovernmental revenue rose \$230.4 million on the strength of \$245.2 million more in Federal Fund receipts from the United States government. Other revenues improved 44.7%, due to a \$26.3 million increase in the Other Special Revenue Fund and a \$23.6 million improvement in the Agency Revenue Fund. Charges for Services went down 5.3% during the period, mainly because of a \$19.9 million drop in Agency Revenue Fund receipts.

Expenditures, excluding transfers, for general governmental functions on a GAAP basis totaled \$10.16 billion for 1997, an increase of 7.2% compared to 1996. The amounts and percentages of 1997 expenditures for various governmental functions and the changes from 1996 are shown below (expressed in thousands) and are illustrated in Chart 2.

#### **Governmental Funds Expenditures - GAAP Basis**

Function	Amount	Percent of Total	Increase (Decrease) from 1996	
			Amount	Percent
General Government	\$ 593,500	5.8%	\$ 98,901	20.0%
Legislative and Judicial	150,604	1.5%	3,041	2.1%
Commerce	44,408	0.4%	1,704	4.0%
Education and Humanities	3,076,843	30.3%	114,394	3.9%
Human Resources	4,220,653	41.6%	400,746	10.5%
Justice	340,100	3.3%	57,101	20.2%
Natural Resources and Environmental Protection	103,356	1.0%	7,262	7.6%
Public Protection and Regulation	105,763	1.0%	11,639	12.4%
Transportation	1,092,563	10.8%	30,974	2.9%
Capital Outlay	99,755	1.0%	20,510	25.9%
Debt Service	332,127	3.3%	(60,003)	(15.3)%
<b>Total Governmental Funds Expenditures</b>	<b>\$ 10,159,672</b>	<b>100.0%</b>	<b>\$ 686,269</b>	<b>7.2%</b>

1997 Governmental Funds Expenditures were \$686.3 million over 1996. Human services provided by the Cabinet for Families and Children and the Health Services Cabinet went up \$400.7 million. Education and Humanities function costs rose \$114.4 million, due primarily to \$100.9 more in General Fund grants and subsidies awarded by the Department of Education. Capital Outlay was up 25.9%, including \$27.4 million more in Capital Projects Fund expenditures on the Commerce Function offset by various decreases. Debt Service costs fell by \$60.0 million based on bond retirement and lower interest rates.

Ending fund balances for all governmental fund types decreased 3.3%, from \$2.32 billion as restated for 1996, to \$2.24 billion in 1997. Of these totals, unreserved fund balances decreased 3.9%, from \$1.25 billion as restated at June 30, 1996, to \$1.20 billion at June 30, 1997.

### ***Debt Administration***

The amount of debt service for general bonded debt, the ratio of this amount to total expenditures for general governmental functions, and the amount of debt per capita are useful indicators to citizens, investors, and management regarding the Commonwealth's debt position. The data for 1997 is:

	Debt Service (thousands)	Ratio to Total General Governmental Expenditures	Debt per Capita
General Bonded Debt	\$ 332,127	3.3%	\$ 761

No general obligation bonds are authorized or outstanding at June 30, 1997.

During 1997, Kentucky issued revenue bonds totaling \$51,842,228 for general governmental functions which are supported by governmental fund appropriations. Of this amount, \$27,011,758 defeased existing debt and funded related reserve accounts. The remaining \$24,830,470 funded new projects. All issues sold during 1997 received a rating of "A" or higher by the major rating services. At June 30, 1997, total principal outstanding for revenue bonds paid from governmental fund appropriations was \$3,000,857,913.

### ***Cash Management, Investment and Collateral Policy***

The Commonwealth's investments are governed by KRS 42.500 and KAR Title 200 Chapter 14. The State Investment Commission, comprised of the Governor, Treasurer, Secretary of the Finance and Administration Cabinet, and gubernatorial appointees of the Community Independent Banker's Association and Kentucky Banker's Association, is charged with oversight of the Commonwealth's investment activities. The Commission is required to meet at least quarterly, and delegates day to day investment management to the Office of Financial Management and Economic Analysis.

At June 30, 1997, the Commonwealth's operating portfolio was approximately \$3.1 billion cash and securities. The composition of investments was as follows: U.S. treasury securities (31%), securities issued by agencies, corporations and instrumentalities of the United States Government (31%), repurchase agreements collateralized at 102% by the aforementioned (30%), municipal securities rated A or higher by Standard & Poor's or Moody's (1.0%) and money market securities rated A1-P1 or higher by Standard & Poor's or Moody's (7.0%). Money market securities, including Bankers' Acceptances, Commercial Paper and Certificates of Deposit, are limited to 20% of the total portfolio and \$10 million per issuer. The annualized yield for 1997 was 6.13% and has a modified duration of approximately 1.10 years. The Commonwealth's investments are marked to market daily.

During 1997, general depository cash in excess of daily requirements and not required for immediate expenditure was invested in the above-described securities, as well as securities issued by the Commonwealth of Kentucky. Maturities range up to 7 months for commercial paper, 21 years for Kentucky revenue bonds, and 83 months for all other securities. Investment income for 1997, excluding that from pension trust funds, was \$152,327,757, a 38.7% increase compared to 1996.

The Commonwealth's investments are categorized into five investment pools: Short-Term, Long-Term, University, Trust and Agency, and U.S. Treasury and Agency Pools. The purpose of these pools is to provide economies of scale that enhance yield, ease administration and increase accountability and control. The Short-Term Pool consists primarily of General Fund cash balances and provides liquidity to the remaining pools. The Long-Term Pool represents State Agency investments. The University Pool is dedicated to the investment of state held component unit funds. The Trust and Agency Pool consists of fiduciary fund accounts held for the benefit of others. The U.S. Treasury and Agency Pool invests in U.S. Treasury and Agency obligations. Capital construction bond proceeds are deposited into the U.S. Treasury and Agency Pool until expended for their intended purpose.

The Commonwealth engages in selective derivative transactions. These transactions are entered into only with an abundance of caution and for specific hedge applications to minimize yield volatility in the portfolio. The State Investment Commission expressly prohibits the use of margin or other leveraging techniques. The Commonwealth executes a variety of transactions which may be considered derivative transactions, including: over-the-counter treasury options, the securities lending program, fixed receiver interest rate swaps, and most recently the purchase of mortgage backed securities, and collateralized mortgage obligations.

The Commonwealth has used over-the-counter treasury options since the mid-1980's to hedge and add value to the portfolio of treasury securities. These transactions involve the purchase and sale of put and call options on a covered basis, holding either cash or securities sufficient to meet the obligation should it be exercised. The State Investment Commission limits the total option commitment to no more than 20% of the total portfolio of treasury and agency securities. Historically, this commitment has been less than 10% of the portfolio.

The Commonwealth has had a securities lending program since the mid-1980's. This program is structured as a paired tri-party repurchase transaction with an approved custodian bank and a primary dealer acting as principal. The state reverses its treasury and agency securities in exchange for 102% of eligible collateral pursuant to KRS 42.500, marked to market daily. Currently, the Commonwealth receives a guaranteed 9.5 basis points of the average market value of securities in the program.

The Commonwealth has also engaged in an asset-based interest rate swap to better match its assets and liabilities and to stabilize the volatility of interest income. These transactions have required the Commonwealth to pay a floating rate in exchange for a fixed rate over a specific period of time. On September 28, 1995, the State Investment Commission adopted resolution 95-03, which re-authorized interest rate swap transactions in a notional amount not to exceed \$200 million outstanding, using the International Swap Dealers Association, Inc. Master Agreement and applicable appendices. Currently, the Commonwealth has one \$50 million notional amount fixed rate receiver swap transaction outstanding, which has a final maturity of July 9, 1999.

House Bill 5 of the First Extraordinary Session of 1997 was enacted on May 30, 1997. The bill amended KRS 42.500 to authorize the purchase of additional securities with excess funds available for investment. The new classes of securities include: United States dollar denominated corporate, Yankee and Eurodollar securities, issued by foreign and domestic issuers, including sovereign and supranational governments, rated in one of the three highest categories by a nationally recognized rating agency, and asset backed securities rated in the highest category by a nationally recognized rating agency.

On June 18, 1997, the Kentucky Investment Commission adopted policies and procedures to govern the purchase of the new authorized securities. The new asset classes will be limited to 25% of the assets of any investment pool. Corporate securities, inclusive of Commercial Paper, Banker's Acceptances and Certificates of Deposit are limited to \$25 million per issuer and a stated final maturity of 5 years or less. Asset Backed Securities are limited to a stated final maturity of 10 years or less and must have a weighted-average-life of not more than 4 years. The Commission also adopted policies and procedures regarding the investment of funds in United States Agency Mortgage Backed Securities ("MBS") and Collateralized Mortgage Obligations ("CMO"). MBS and CMO are limited to a maximum of 25% of any investment portfolio. MBS are limited to a stated final maturity of 10 years or less with a weighted-average-life of 4 years or less. CMO are subject to guidelines established by the Federal Financial Institutions Examination Council for CMO security purchases for regulated financial institutions. CMO are further limited to a weighted-average-life of 4 years or less.

## ***Risk Management***

The Division of Risk Management (DRM) oversees and coordinates risk management and insurance responsibilities among various state agencies in accordance with KRS 42.0245. For the year ended June 30, 1997, the Division achieved a cash savings of \$362,422 by obtaining lower bids from improved insurance bid specifications and by seeking broader markets. Risk exposures in the amount of \$2 million were eliminated for properties that were either uninsured or underinsured. Since 1989, risk exposures of \$57 million have been eliminated for either uninsured or underinsured state property and buildings. The Finance and Administration Cabinet insures property, computers, vehicles, telephones, fidelity bonds, and workers' compensation claims in the amount of \$388.6 million annually for a premium of \$201,908.

New risk management initiatives for the year included obtaining a single master policy to cover vehicle liability insurance for all state agencies and resolving a \$6 million liability insurance crisis relating to the mobile home parks created as a result of the floods in Cynthiana and Falmouth.

Currently, the Commonwealth's three major self-insurance programs include: the Fire and Tornado Insurance Fund for property and casualty coverage; the State Employee Benefit Fund (Kentucky Kare) for health coverage; and the State Self Insurance Fund for Workers' Compensation benefits. The Finance and Administration Cabinet in accordance with KRS 45A.022, transfers other financial and catastrophic risks not assumed by these programs to insurance companies through the purchase of insurance policies for various state agencies.

The Fire and Tornado Insurance Fund consists of "premiums" charged to state agencies and universities. Current annual "premiums" of \$4.9 million insured \$4.9 billion in property assets for 6,010 facilities throughout the state. By statute, the Fund must have a reserve of \$5,000,000 at the close of each fiscal year. All losses are reinsured to limit fund liability to \$300,000 for any one loss to each subject of risk. For the year ended June 30, 1997, the Fund paid 181 claims in the amount of \$703,480. Earthquake and Flood Coverage for state facilities are available as additional insured perils in the Fund.

The State Employee Benefit Fund is a public entity risk pool which self-insures risks of providing health care benefits for approximately 42,964 subscribers including state employees, employees of local boards of education, employees of local health departments, and retirees under age 65 and other individuals subscribing to the Kentucky Kare health plans. For the year ended June 30, 1997, the state contributed \$185 per insured monthly or \$67.8 million annually for this coverage. As of June 30, 1997, the Commonwealth had paid \$129.0 million in current and prior year claims. Funded reserves of \$45.6 million are maintained to cover claim liabilities, which at June 30, 1997, were \$21.8 million.

The State Self Insured Workers' Compensation Trust Fund provides workers' compensation coverage for state employees. At June 30, 1997, the State program had assets of \$12.3 million and an unreserved accumulated deficit of \$41.1 million. Assets increased by \$475,000 and the unreserved accumulated deficit increased \$6.0 million from the previous year. The Fund carries reinsurance coverage for large individual or incident claims of \$5 million with limits of \$20 million. The amount of claims paid for the fiscal year was \$10.9 million. The Transportation Cabinet has a separate self insured workers' compensation fund for its employees. As of June 30, 1997, the Fund has liabilities that exceed its assets by \$20.9 million. The fund carries reinsurance coverage for claims exceeding \$1 million with limits of \$10 million.

## ***Capital Projects Fund***

Proceeds of certain bond issues and other appropriated monies to be used for projects related to economic development and the construction, improvement, and maintenance of the Commonwealth's physical plant are accounted for in the Capital Projects Fund until such projects are completed. Completed construction and improvement projects are capitalized in the appropriate proprietary fund or General Fixed Assets Account Group at year end. All uncompleted construction in progress is capitalized in the General Fixed Assets Account Group or appropriate proprietary fund. During 1997, projects costing \$19,449,632 were completed.

### ***Proprietary Funds***

Combined operating revenues of the primary government's Enterprise Funds decreased from \$913.8 million for 1996, to \$908.0 million in 1997. Combined operating expenses of these funds decreased from \$1,014.5 million for 1996 to \$899.6 million in 1997. The Kentucky Lottery Corporation paces Enterprise Fund activity with operating revenues and expenses of \$569.1 million and \$417.0 million. At June 30, 1997, there are no outstanding revenue bonds in the State Parks Fund or other blended component units.

Combined operating revenues and expenses of discretely presented component units accounted for in proprietary fund types were \$195.9 million and \$234.2 million in 1997, compared to \$218.2 million and \$214.4 million in 1996. The Kentucky Housing Corporation leads such activity with operating revenues and expenses of \$81.0 million and \$75.8 million. At June 30, 1997, outstanding revenue bonds for the discretely presented component units totaled \$1.66 billion, of which \$894.2 million and \$453.0 million are accounted for in the Kentucky Housing Corporation and Kentucky Higher Education Student Loan Corporation, respectively.

Combined operating revenues and expenses for the Commonwealth's Internal Service Funds amounted to \$123.5 million and \$134.0 million, as compared to 1996 totals of \$110.0 million and \$117.2 million. The internal service operations provided include, but are not limited to, data processing, telecommunications, property management, and insurance administration.

Proprietary funds receive budgeted operating transfers of General Fund appropriations.

### ***Pension Trust Funds***

The Commonwealth administers separate retirement systems for Kentucky employees, State Police officers, public school teachers, judges, legislators and county employees. At June 30, 1997, combined total assets for these plans reached \$20.8 billion. The aggregate operating revenue of these funds was \$1.1 billion, including interest and investment income of \$748.8 million. Total operating expenses were \$1.0 billion, including retirement benefits paid of \$751.3 million.

These retirement systems are as follows: Kentucky Employees Retirement System; State Police Retirement System; County Employees Retirement System; Teachers' Retirement System; and the Judicial Form Retirement System (including both the Judicial Retirement Fund and the Legislators' Retirement Fund).

### ***University and College Funds***

The eight state-supported universities are discretely presented component units accounted for in the University and College Funds. University and College Current Funds revenue rose from \$1.06 billion in 1996 to \$1.22 billion in 1997 for an increase of 14.9%. State appropriations transferred from the General Fund to these funds went up 4.0% to \$737.9 million. Current fund expenditures and transfers increased 10.5% during 1997, to \$1.96 billion. At June 30, 1997, outstanding revenue bonds for the state supported universities totaled \$748.3 million, of which \$318.5 million is accounted for by the University of Kentucky and \$178.0 million is accounted for by the University of Louisville.

### ***General Fixed Assets***

The general fixed assets of the Commonwealth are those fixed assets used in the performance of general governmental functions and exclude the fixed assets of the Enterprise, Internal Service, and Component Units Funds. At June 30, 1997, the general fixed assets of Kentucky amounted to \$1,211,734,000. This amount represents the valuation of general fixed assets in accordance with GAAP as described in the Notes to the Financial Statements. Depreciation of general fixed assets is not recognized in the Commonwealth's accounting system.

## OTHER INFORMATION

### *Independent Audit*

The accompanying financial statements have been audited by the Office of the Auditor of Public Accounts of the Commonwealth of Kentucky. Their examination was conducted in accordance with generally accepted government auditing standards, and the report of the independent auditor appears elsewhere in this report.

### *Certificate of Achievement for Excellence in Financial Reporting*

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Commonwealth of Kentucky for its Comprehensive Annual Financial Report for the year ended June 30, 1996. This is the tenth consecutive year the Commonwealth has received this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA.

### *Acknowledgments*

The preparation of this report could not have been accomplished without the cooperation of all branches and agencies of the Commonwealth. The professionalism demonstrated by the staffs of the Finance and Administration Cabinet's Divisions of Accounts and Printing, as well as the Office of the Auditor of Public Accounts, is especially noteworthy. Their combined dedication made the publication of this report possible.

Respectfully submitted,

John P. McCarty, Secretary  
Finance and Administration Cabinet



FINANCE AND ADMINISTRATION CABINET

**OFFICE OF THE CONTROLLER**

CAPITOL ANNEX BUILDING  
702 CAPITOL AVENUE, ROOM 384  
FRANKFORT, KENTUCKY 40601-3454  
(502) 564-2210  
FAX (502) 564-6597

PAUL E. PATTON  
GOVERNOR

JOHN P. McCARTY  
SECRETARY

EDGAR C. ROSS  
CONTROLLER

January 31, 1998

The Honorable John P. McCarty  
Secretary, Finance and Administration Cabinet  
383 New Capitol Annex  
Frankfort, Kentucky

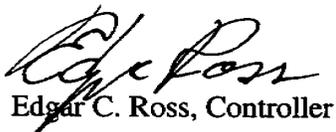
Dear Secretary McCarty:

Pursuant to Section 48.800 (3) of the Kentucky Revised Statutes, the Comprehensive Annual Financial Report (CAFR) of the Commonwealth of Kentucky for the fiscal year ended June 30, 1997, is submitted herewith. It contains all funds, account groups, and entities that are controlled by or dependent on the Commonwealth based on the criteria developed by the Governmental Accounting Standards Board (GASB) in its Codification of Governmental Accounting and Financial Reporting Standards, Section 2100.

The basis of accounting upon which the report has been prepared complies with Generally Accepted Accounting Principles (GAAP) for state governments as prescribed by both GASB and the American Institute of Certified Public Accountants' (AICPA) publication Audits of State and Local Governmental Units.

The information presented fairly and fully discloses the financial position and results of financial operations of the Commonwealth for the reporting period as measured by the financial activity of the various funds. All appropriate disclosures necessary to assist readers in their understanding and evaluation of Kentucky's financial condition have been included in this report.

Respectfully submitted,

  
Edgar C. Ross, Controller



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Commonwealth of Kentucky

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1996

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda K. Savitsky*  
President

*Jeffrey L. Esser*  
Executive Director

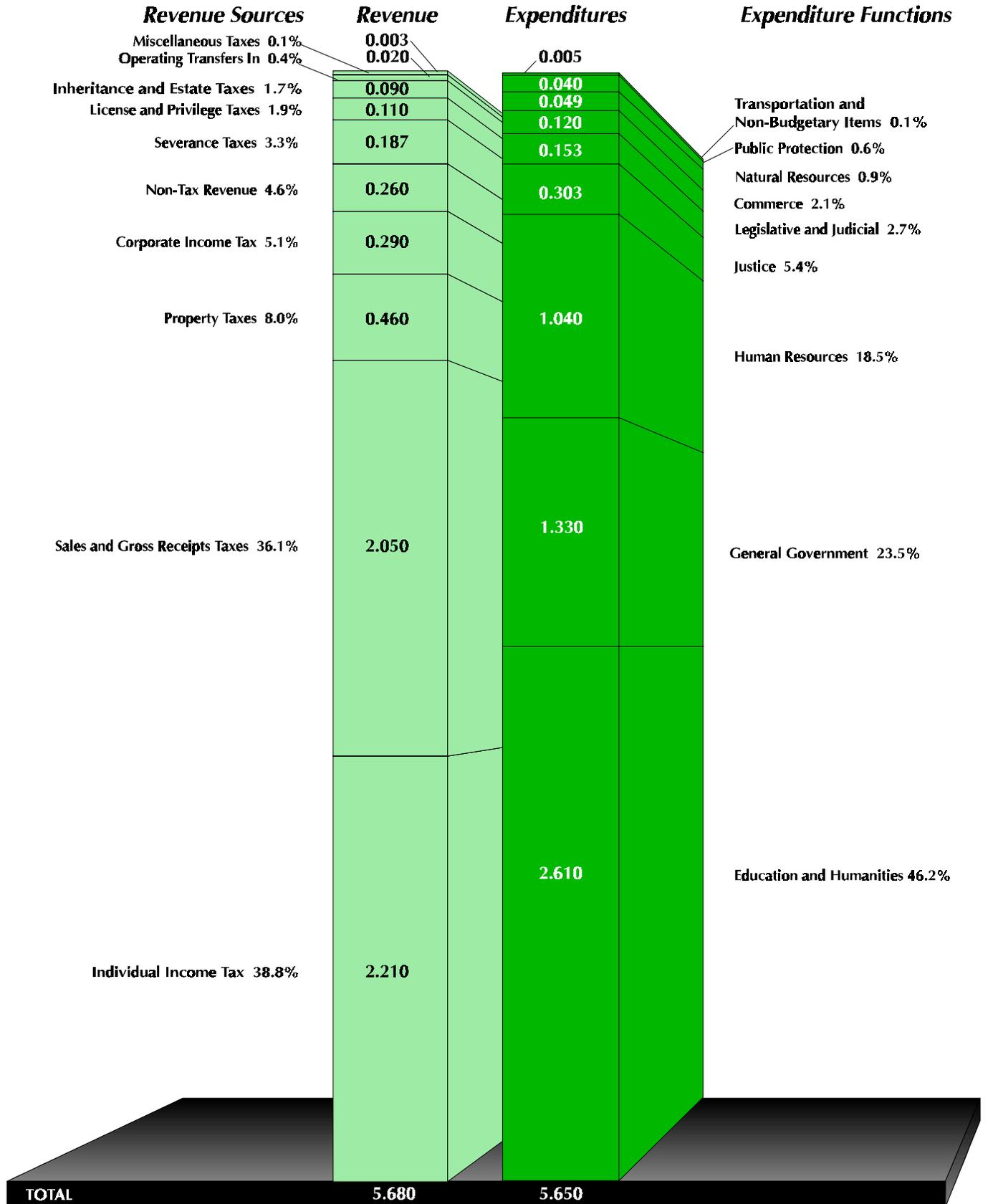


# Chart 1

## General Fund - Budgetary Basis

### Fiscal Year 1997

(amounts in billions)

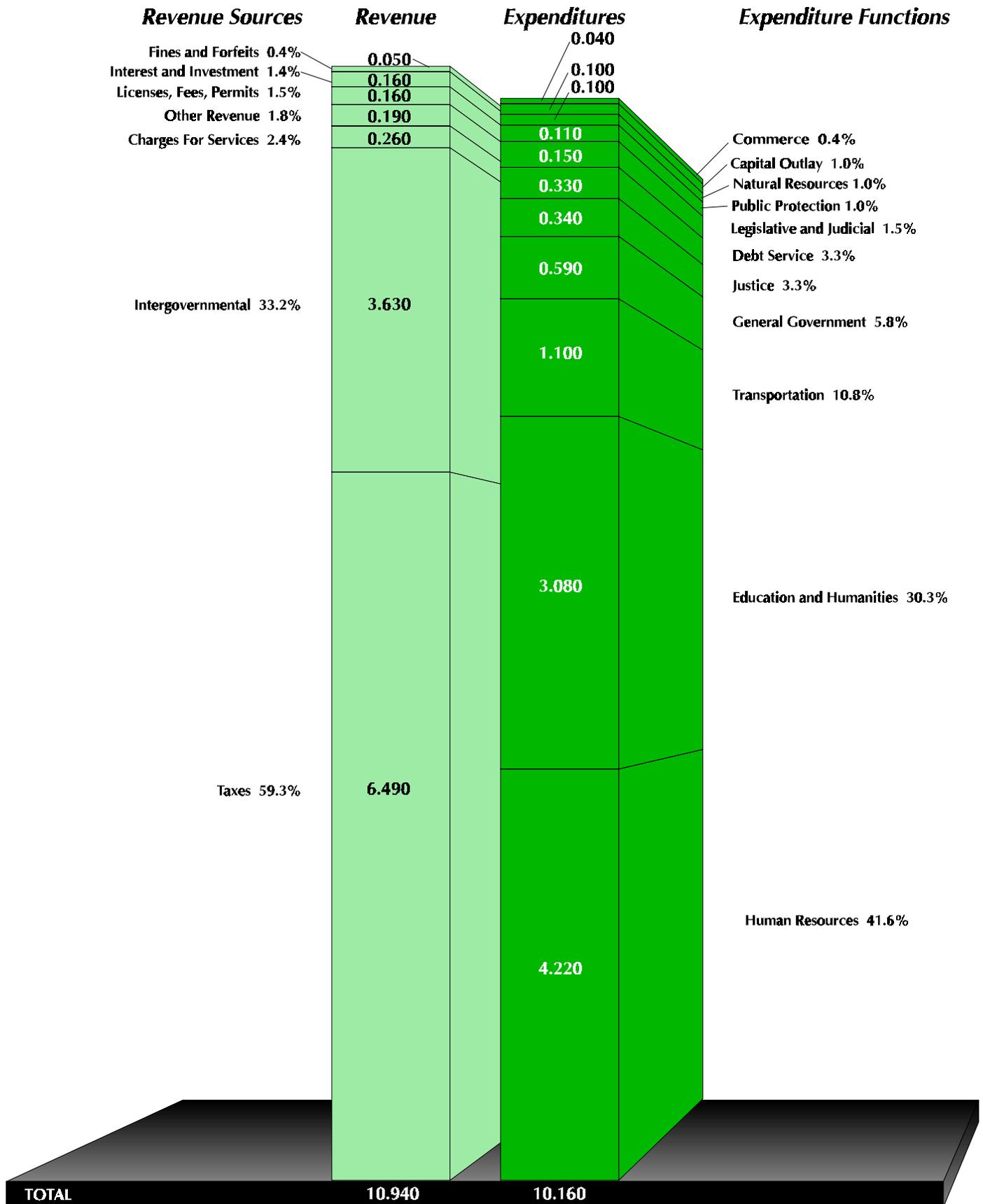


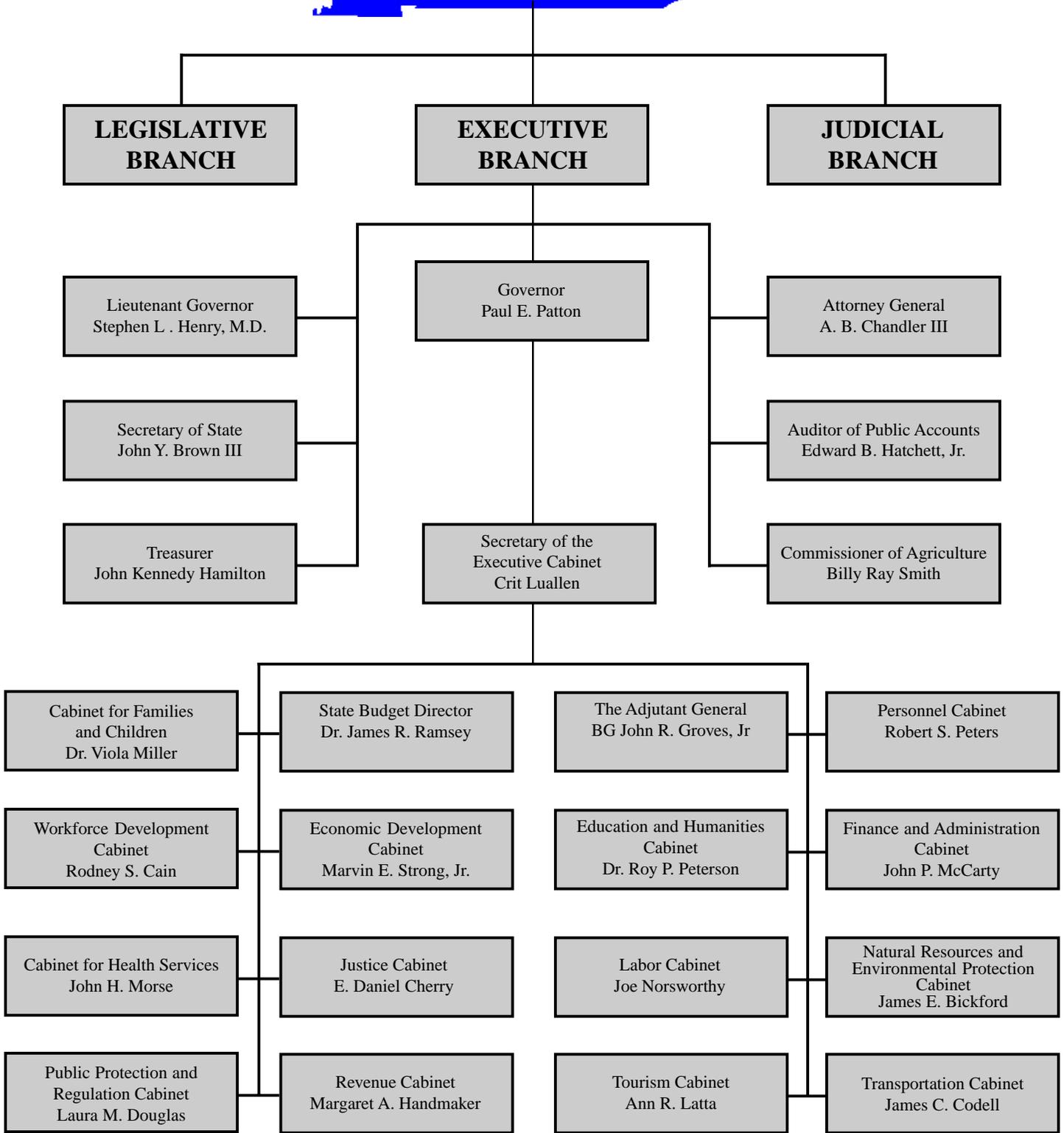
# Chart 2

## Governmental Funds - GAAP Basis

### Fiscal Year 1997

(amounts in billions)





\* Principal Officials at June 30, 1997

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## **FINANCIAL SECTION**

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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

**Independent Auditor's Report**

To the People of Kentucky  
The Honorable Paul E. Patton, Governor  
Mr. John P. McCarty, Secretary  
Finance and Administration Cabinet

We have audited the accompanying general-purpose financial statements of the Commonwealth of Kentucky as of and for the year ended June 30, 1997, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Commonwealth's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We did not audit the financial statements of certain organizational units within the governmental fund types; the Kentucky Lottery Corporation, Workers' Compensation Special Fund, Coal Workers' Pneumoconiosis Fund, Petroleum Storage Tank Environmental Assurance Program, portions of the Kentucky Kare Insurance Authority, and Transportation Cabinet's Fleet Management Fund and Self-Insured Workers' Compensation Trust Funds within the proprietary fund types; the Pension Trust Funds and Transportation Cabinet's portion of the Agency Funds within the fiduciary fund types; and universities and colleges and certain other discretely presented component units. These organizational units represent total assets of 16, 67, 94, and 99.9 percent; total revenues/additions of 12, 85, 93, and 99.9 percent; and total expenditures/expenses/deductions of 13, 67, 78, and 99.9 percent, respectively, of the related combined totals of the governmental fund types, proprietary fund types, fiduciary fund types, and discretely presented component units. We also did not audit certain fixed assets which represent 15 percent of the General Fixed Assets Account Group. In addition, we did not audit certain long-term obligation accounts which comprise 44 percent of the total liabilities in the General Long-Term Obligations Account Group. These organizational unit financial statements and fixed asset and general long-term obligation accounts were audited by other auditors whose reports thereon were furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for the organizational units, the fixed assets, and the long-term obligations referenced above, is based solely on the reports of other auditors.



To the People of Kentucky  
The Honorable Paul E. Patton, Governor  
Mr. John P. McCarty, Secretary  
Finance and Administration Cabinet  
Page 2

We conducted our audit in accordance with generally accepted government auditing standards except that a portion of the university and college discretely presented component units was audited in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general-purpose financial statements referenced above present fairly, in all material respects, the financial position of the Commonwealth of Kentucky as of June 30, 1997, and the results of its operations and the cash flows of its proprietary fund types and discretely presented component unit proprietary funds for the year then ended, in conformity with generally accepted accounting principles.

As disclosed in Note 2, the Teachers' Retirement System implemented Governmental Accounting Standards Board Statement 25 for the year ended June 30, 1997, which resulted in an increase in beginning net assets held in trust for pensions and health insurance of \$890,072,000. Also as disclosed in Note 2, the Commonwealth changed its capitalization policy, for financial reporting purposes, from \$500 to \$5000, which resulted in a decrease in assets held in the primary government's General Fixed Assets Account Group of \$178,474,000 and a reduction in retained earnings for the primary government's Enterprise Fund and Internal Service Fund of \$3,412,341 and \$2,537,000. During the year ended June 30, 1997, the Commonwealth established the Fleet Management Fund within the primary government's Internal Service Fund; at June 30, 1997, the Fleet Management Fund accounted for 38 percent of the total assets of the Internal Service Fund. As disclosed in Note 12, the actuarially determined claims liability increased significantly for the Petroleum Storage Tank Environmental Assurance Program during the year ended June 30, 1997. This increase is primarily the result of an increase in the estimated number of incidents and the establishment of the Small Operators Tank Removal Account.

To the People of Kentucky  
The Honorable Paul E. Patton, Governor  
Mr. John P. McCarty, Secretary  
Finance and Administration Cabinet  
Page 3

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules included in this report on pages 80 through 167 are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of the Commonwealth of Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The Introductory and Statistical Sections presented in this report on pages 2 through 18 and 169 through 181 were not audited by us and, accordingly, we do not express an opinion thereon.

In accordance with generally accepted government auditing standards, we will also issue our report on our consideration of the Commonwealth of Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Respectfully submitted,



Edward B. Hatchett, Jr.

January 31, 1998

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**GENERAL PURPOSE FINANCIAL STATEMENTS**

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**COMMONWEALTH OF KENTUCKY  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES, ACCOUNT GROUPS AND DISCRETELY PRESENTED COMPONENT UNITS  
 JUNE 30, 1997**

(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
CASH AND CASH EQUIVALENTS (NOTE 5)	\$ 233,502	\$ 361,045	\$ 11,332	\$ 50,995
CASH WITH FISCAL AGENTS			23,726	
CASH ON DEPOSIT WITH FEDERAL GOVERNMENT				
RESTRICTED CASH		6,773		
INVESTMENTS, NET OF AMORTIZATION (NOTE 5)	300,980	887,419	314,456	278,789
RECEIVABLES, NET (NOTE 1)	454,928	705,170	95,908	13,484
INTERFUND RECEIVABLES (NOTE 7)	74,524	147,359	339	5,857
DUE FROM COMPONENT UNITS				37
INVENTORIES	10,871	32,631		
PREPAID EXPENSES				
DEFERRED CHARGES				
RESTRICTED ASSETS		77,542		
LAND				
IMPROVEMENTS OTHER THAN BUILDINGS				
BUILDINGS				
MACHINERY AND EQUIPMENT				
LESS: ACCUMULATED DEPRECIATION				
CONSTRUCTION IN PROGRESS				
OTHER ASSETS				
AMOUNTS AVAILABLE FOR DEBT SERVICE				
AMOUNTS TO BE PROVIDED IN FUTURE YEARS FOR				
RETIREMENT OF GENERAL LONG-TERM OBLIGATIONS				
TOTAL ASSETS AND OTHERS DEBITS	<u>\$ 1,074,805</u>	<u>\$ 2,217,939</u>	<u>\$ 445,761</u>	<u>\$ 349,162</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
LIABILITIES:				
ACCOUNTS PAYABLE	\$ 449,425	\$ 594,615	\$ 345	\$ 16,350
TAX REFUNDS PAYABLE	168,913			
ACCRUED LIABILITIES				
INTERFUND PAYABLES (NOTE 7)	34,894	204,954	1,660	591
DUE TO COMPONENT UNITS				
DUE TO PRIMARY GOVERNMENT				
CLAIMS LIABILITY				
CLAIMS ADJUSTMENT LIABILITIES				
CAPITAL LEASE OBLIGATIONS (NOTE 10)				
NOTES PAYABLE (NOTE 15)				
BONDS PAYABLE (NOTE 15)				
COMPENSATED ABSENCES (NOTE 1)				
AMOUNTS HELD IN CUSTODY FOR OTHERS				
DEPOSITS AND ADVANCE PAYMENTS				
DEFERRED REVENUE	59,919	201,848	93,434	16,583
OTHER LIABILITIES				
JUDGEMENTS AND CONTINGENCIES				
TOTAL LIABILITIES	<u>713,151</u>	<u>1,001,417</u>	<u>95,439</u>	<u>33,524</u>
EQUITY AND OTHER CREDITS:				
CONTRIBUTED CAPITAL (NOTE 1)				
INVESTMENT IN FIXED ASSETS (NOTE 1)				
RETAINED EARNINGS:				
RESERVED FOR:				
REVENUE BOND RETIREMENT				
UNRESERVED				
FUND BALANCE (NOTE 1)				
RESERVED FOR:				
ENCUMBRANCES		211,619		62,509
STATUTORY OBLIGATIONS	53,958	43,541		
CAPITAL OUTLAY				84,988
REVENUE BOND RETIREMENT		1,000	302,466	
EMPLOYEE RETIREMENT SYSTEM				
RETIREE'S HEALTH INSURANCE				
OTHER SPECIFIC PURPOSES (NOTE 1)	210,871	49,157	19,272	
UNRESERVED:				
DESIGNATED FOR HIGHWAY CONSTRUCTION		335,132		
DESIGNATED FOR DEBT SERVICE			28,584	
DESIGNATED FOR UNIVERSITIES AND COLLEGES				
UNDESIGNATED	96,825	576,073		168,141
TOTAL EQUITY AND OTHER CREDITS	<u>361,654</u>	<u>1,216,522</u>	<u>350,322</u>	<u>315,638</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 1,074,805</u>	<u>\$ 2,217,939</u>	<u>\$ 445,761</u>	<u>\$ 349,162</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals	Component	Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Primary Government (Memorandum Only)	Units	Reporting Entity (Memorandum Only)
\$ 104,597	\$ 9,810	\$ 2,096,531	\$	\$	\$ 2,867,812	\$ 928,750	\$ 3,796,562
		8,546			32,272		32,272
		550,485			550,485		550,485
					6,773	103,277	110,050
791,279	19,495	19,249,977			21,842,395	790,091	22,632,486
49,540	2,872	240,309			1,562,211	1,794,293	3,356,504
1,293	9,363	13,717			252,452		252,452
					37	131,347	131,384
5,857	5,215				54,574	24,522	79,096
2,587	903	192			3,682	1,476	5,158
						21,127	21,127
					77,542	63,001	140,543
14,539	1,077		78,247		93,863	81,680	175,543
57,374	370				57,744	62,663	120,407
98,135	10,739	2,745	678,337		789,956	2,043,816	2,833,772
56,038	107,734		287,677		451,449	627,089	1,078,538
(129,001)	(73,293)				(202,294)	(116,296)	(318,590)
52,892			167,473		220,365	153,981	374,346
						260,344	260,344
				351,322	351,322		351,322
				3,096,422	3,096,422		3,096,422
<u>\$ 1,105,130</u>	<u>\$ 94,285</u>	<u>\$ 22,162,502</u>	<u>\$ 1,211,734</u>	<u>\$ 3,447,744</u>	<u>\$ 32,109,062</u>	<u>\$ 6,971,161</u>	<u>\$ 39,080,223</u>
\$ 14,753	\$ 7,879	\$ 1,186,768	\$	\$	\$ 2,270,135	\$ 167,441	\$ 2,437,576
					168,913		168,913
1,387	4,956	4,010				64,653	64,653
					252,452		252,452
						131,347	131,347
						37	37
1,660,075	75,492				1,735,567		1,735,567
49,161					49,161		49,161
190	9,794			1,122	11,106	114,960	126,066
6,787					6,787	12,988	19,775
6,442	5,148			3,000,858	3,000,858	2,401,759	5,402,617
				179,725	191,315	2,374	193,689
		577,854			577,854	9,581	587,435
						5,142	5,142
815	258	30,470			403,327	46,967	450,294
350,828		691,255		67,811	1,109,894	65,129	1,175,023
				198,228	198,228		198,228
<u>2,090,438</u>	<u>103,527</u>	<u>2,490,357</u>		<u>3,447,744</u>	<u>9,975,597</u>	<u>3,022,378</u>	<u>12,997,975</u>
92,804	17,892				110,696	92,930	203,626
			1,211,734		1,211,734	2,102,349	3,314,083
(1,078,112)	(27,134)				(1,105,246)	288,029	288,029
						345,905	(759,341)
					274,128	10,290	284,418
					97,499		97,499
					84,988	207,257	292,245
					303,466		303,466
		18,399,327			18,399,327		18,399,327
		538,574			538,574		538,574
					279,300	664,790	944,090
					335,132		335,132
					28,584		28,584
						237,395	237,395
		734,244			1,575,283	(162)	1,575,121
(985,308)	(9,242)	19,672,145	1,211,734		22,133,465	3,948,783	26,082,248
<u>\$ 1,105,130</u>	<u>\$ 94,285</u>	<u>\$ 22,162,502</u>	<u>\$ 1,211,734</u>	<u>\$ 3,447,744</u>	<u>\$ 32,109,062</u>	<u>\$ 6,971,161</u>	<u>\$ 39,080,223</u>

**COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
REVENUES (NOTE 1):				
TAXES	\$ 5,382,949	\$ 1,104,239	\$	\$
LICENSES, FEES, AND PERMITS	21,094	143,463		
INTERGOVERNMENTAL	4,706	3,609,374		11,161
CHARGES FOR SERVICES	3,796	255,835	2,735	
FINES AND FORFEITS	41,652	6,886		
INTEREST AND OTHER INVESTMENT INCOME	32,025	71,318	15,456	37,079
OTHER REVENUES	15,363	174,987	2,100	756
TOTAL REVENUES	<u>5,501,585</u>	<u>5,366,102</u>	<u>20,291</u>	<u>48,996</u>
EXPENDITURES:				
CURRENT:				
GENERAL GOVERNMENT	393,051	200,449		
LEGISLATIVE AND JUDICIAL	148,132	2,472		
COMMERCE	17,013	27,395		
EDUCATION AND HUMANITIES	2,535,870	540,973		
HUMAN RESOURCES	1,043,539	3,177,114		
JUSTICE	294,167	45,933		
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	49,994	53,362		
PUBLIC PROTECTION AND REGULATION	36,327	69,436		
TRANSPORTATION	5,288	1,087,275		
CAPITAL OUTLAY				99,755
DEBT SERVICE:				
PRINCIPAL RETIREMENT			163,412	
INTEREST AND FISCAL CHARGES			163,034	
OTHER EXPENDITURES			5,681	
TOTAL EXPENDITURES	<u>4,523,381</u>	<u>5,204,409</u>	<u>332,127</u>	<u>99,755</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>978,204</u>	<u>161,693</u>	<u>(311,836)</u>	<u>(50,759)</u>
OTHER FINANCING SOURCES (USES)				
OPERATING TRANSFERS IN	171,453	722,227	340,975	48,275
OPERATING TRANSFERS OUT	(467,808)	(882,414)	(1,294)	(8,633)
TRANSFERS FROM PRIMARY GOVERNMENT				
TRANSFERS TO COMPONENT UNITS	(783,205)			
PROCEEDS FROM SALE OF BONDS:				
NEW ISSUES				7,413
CAPITALIZED LEASES	524	60		
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,079,036)</u>	<u>(160,127)</u>	<u>339,681</u>	<u>47,055</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(100,832)</u>	<u>1,566</u>	<u>27,845</u>	<u>(3,704)</u>
FUND BALANCE AT JULY 1 (NOTE 2), AS RESTATED	463,391	1,216,332	322,477	319,342
INCREASE (DECREASE) IN INVENTORIES	(905)	1,922		
RESIDUAL EQUITY TRANSFER IN (OUT)		(3,298)		
FUND BALANCE AT JUNE 30	<u>\$ 361,654</u>	<u>\$ 1,216,522</u>	<u>\$ 350,322</u>	<u>\$ 315,638</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Fiduciary		Totals		Totals	
Fund Type		Primary Government		Reporting Entity	
Expendable Trust		(Memorandum Only)		(Memorandum Only)	
\$	249,510	\$	6,736,698	\$	6,736,698
	43		164,600		164,600
	21,408		3,646,649		3,646,649
	9		262,375		262,375
	39,628		48,538		48,538
	6,513		195,506		195,506
	317,111		199,719		199,719
			11,254,085		11,254,085
	21,510		615,010		615,010
	11		150,615		150,615
			44,408	3,207	47,615
	263,445		3,340,288		3,340,288
	3,812		4,224,465		4,224,465
			340,100		340,100
			103,356		103,356
			105,763		105,763
			1,092,563		1,092,563
			99,755		99,755
			163,412		163,412
			163,034		163,034
			5,681		5,681
	288,778		10,448,450	3,207	10,451,657
	28,333		805,635	(3,207)	802,428
	166,329		1,449,259		1,449,259
	(23,932)		(1,384,081)		(1,384,081)
			(783,205)	3,205	3,205
			7,413		7,413
			584		584
	142,397		(710,030)	3,205	(706,825)
	170,730		95,605	(2)	95,603
	563,514		2,885,056	(160)	2,884,896
			1,017		1,017
			(3,298)		(3,298)
\$	734,244	\$	2,978,380	\$	2,978,218

**COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/FUND EQUITY**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL BUDGETED FUND TYPES AND**  
**DISCRETELY PRESENTED COMPONENT UNITS (NOTE 4)**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	General Fund			Special Revenue		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
BUDGETED:						
TAXES	\$ 5,300,221	\$ 5,401,232	\$ 101,011	\$ 809,750	\$ 812,623	\$ 2,873
LICENSES, FEES, AND PERMITS	18,497	21,095	2,598	94,143	93,189	(954)
INTERGOVERNMENTAL	4,481	4,706	225			
CHARGES FOR SERVICES	2,427	3,850	1,423	19,420	19,741	321
FINES AND FORFEITS	38,895	41,652	2,757	75	49	(26)
INTEREST AND OTHER INVESTMENT INCOME	30,625	30,934	309	25,300	31,876	6,576
LOTTERY PROCEEDS	151,000	151,000				
OTHER REVENUES	10,472	2,489	(7,983)	3,525	1,307	(2,218)
TRANSFERS IN	12,875	17,110	4,235			
TOTAL BUDGETED REVENUES	5,569,493	5,674,068	104,575	952,213	958,785	6,572
NON-BUDGETED:						
TAXES					209,598	
LICENSES, FEES, AND PERMITS					53,937	
INTERGOVERNMENTAL					3,307,540	
CHARGES FOR SERVICES					1,088,759	
FINES AND FORFEITS					4,143	
INTEREST AND OTHER INVESTMENT INCOME					37,035	
EMPLOYER CONTRIBUTIONS					290	
OTHER REVENUES		21	21		195,420	
ESCHEAT REVENUE		6,574	6,574			
TRANSFERS IN (INTERFUND)		3,438	3,438		370,930	
TRANSFERS IN (INTRAFUND)					662,145	
TOTAL NON-BUDGETED REVENUES		10,033	10,033		5,929,797	
TOTAL REVENUES	5,569,493	5,684,101	114,608		6,888,582	
EXPENDITURES:						
GENERAL GOVERNMENT	1,580,453	1,330,155	250,298	1,530,854	1,192,453	338,401
LEGISLATIVE AND JUDICIAL	166,985	153,013	13,972	6,042	2,341	3,701
COMMERCE	131,442	119,681	11,761	30,310	28,937	1,373
EDUCATION AND HUMANITIES	2,609,910	2,607,843	2,067	582,535	542,062	40,473
HUMAN RESOURCES	1,056,830	1,044,291	12,539	2,918,717	2,787,489	131,228
JUSTICE	303,954	302,950	1,004	101,802	89,345	12,457
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	49,497	49,479	18	88,259	58,177	30,082
PUBLIC PROTECTION AND REGULATION	36,991	36,219	772	81,417	74,284	7,133
TRANSPORTATION	9,569	5,263	4,306	2,864,710	1,265,459	1,599,251
TOTAL EXPENDITURES	5,945,631	5,648,894	296,737	8,204,646	6,040,547	2,164,099
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(376,138)	35,207	411,345		848,035	
OTHER FINANCING SOURCES (USES):						
TURNPIKE AUTHORITY				1,257	1,257	
TOTAL OTHER FINANCING SOURCES (USES)				1,257	1,257	
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(376,138)	35,207	411,345		849,292	
FUND BALANCE/FUND EQUITY AT JULY 1	503,028	503,028			1,415,556	
MOVED TO AGENCY REVENUE FUND					(2,350)	
MOVED FROM FEDERAL FUND					2,350	
MOVED FROM AGENCY REVENUE FUND						
MOVED TO FLEET MANAGEMENT FUND					(3,299)	
MOVED TO UNIVERSITIES					(32,000)	
FIXED ASSET ALLOCATION						
NON-BUDGETED ITEMS		(160)	(160)		(889,196)	
FUND BALANCE/FUND EQUITY AT JUNE 30	\$ 126,890	\$ 538,075	\$ 411,185	\$	\$ 1,340,353	\$

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

Enterprise			Internal Service			Expendable Trust		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$	\$	\$	\$	\$	\$	\$	\$	\$
	91						6	
	194,878			99,472			16,325	
	896			2			8	
	6,968			354			34,101	
	5,692			24,671			249,414	
	41,907			398			1,641	
	174,152			18,354			700	
	424,584			143,251			302,195	
	424,584			143,251			302,195	
7,835	4,704	3,131	94,795	88,525	6,270			
38,872	38,392	480						
5,740	5,366	374				246,100	236,838	9,262
			11,574	10,519	1,055			
1,167	547	620						
429,369	308,046	121,323	562	527	35			
			20,890	20,798	92			
482,983	357,055	125,928	127,821	120,369	7,452	246,100	236,838	9,262
	67,529			22,882			65,357	
	67,529			22,882			65,357	
	249,840			47,098			485,612	
				3,298				
	13,660			(2,645)				
	(53,069)			(24,059)			(438)	
\$	\$ 277,960	\$	\$	\$ 46,574	\$	\$	\$ 550,531	\$

Continued

**COMMONWEALTH OF KENTUCKY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/FUND EQUITY  
 BUDGET AND ACTUAL (BUDGETARY BASIS) - ALL BUDGETED FUND TYPES AND  
 DISCRETELY PRESENTED COMPONENT UNITS (NOTE 4)  
 FOR THE YEAR ENDED JUNE 30, 1997  
 (Expressed in Thousands)**

	Component Units		
	Budget	Actual	Variance
REVENUES:			
BUDGETED:			
TAXES	\$	\$	\$
LICENSES, FEES, AND PERMITS			
INTERGOVERNMENTAL			
CHARGES FOR SERVICES			
FINES AND FORFEITS			
INTEREST AND OTHER INVESTMENT INCOME			
LOTTERY PROCEEDS			
OTHER REVENUES			
TRANSFERS IN			
TOTAL BUDGETED REVENUES			
NON-BUDGETED:			
TAXES			
LICENSES, FEES, AND PERMITS			
INTERGOVERNMENTAL			
CHARGES FOR SERVICES		24,957	
FINES AND FORFEITS		1	
INTEREST AND OTHER INVESTMENT			
EMPLOYER CONTRIBUTIONS			
OTHER REVENUES		2	
ESCHEAT REVENUE			
TRANSFERS IN (INTERFUND)		45	
TRANSFERS IN (INTRAFUND)		371	
TOTAL NON-BUDGETED REVENUES		25,376	
TOTAL REVENUES		25,376	
EXPENDITURES:			
GENERAL GOVERNMENT			
LEGISLATIVE AND JUDICIAL			
COMMERCE	23,226	23,222	4
EDUCATION AND HUMANITIES			
HUMAN RESOURCES			
JUSTICE			
NATURAL RESOURCES AND			
ENVIRONMENTAL PROTECTION			
PUBLIC PROTECTION AND			
REGULATION			
TRANSPORTATION			
TOTAL EXPENDITURES	23,226	23,222	4
EXCESS OF REVENUES OVER			
(UNDER) EXPENDITURES		2,154	
OTHER FINANCING SOURCES (USES):			
TURNPIKE AUTHORITY			
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF REVENUES AND OTHER			
FINANCING SOURCES OVER (UNDER)			
EXPENDITURES AND OTHER			
FINANCING USES		2,154	
FUND BALANCES/FUND EQUITY AT JULY 1		90,938	
FIXED ASSET ALLOCATION		27,095	
NON-BUDGETED ITEMS		(2,075)	
FUND BALANCES/FUND EQUITY AT JUNE 30	\$	\$ 118,112	\$

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**COMMONWEALTH OF KENTUCKY**  
**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Proprietary Fund Types		Totals Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
	Enterprise	Internal Service			
OPERATING REVENUES:					
CHARGES FOR SERVICES	\$ 295,796	\$ 123,020	\$ 418,816	\$ 44,798	\$ 463,614
INTEREST AND OTHER INVESTMENT INCOME	36,820		36,820	134,372	171,192
LOTTERY PROCEEDS	569,055		569,055		569,055
AMORTIZATION OF PREMIUM ON LEASES				96	96
OTHER REVENUES	6,328	519	6,847	16,667	23,514
TOTAL OPERATING REVENUES	907,999	123,539	1,031,538	195,933	1,227,471
OPERATING EXPENSES:					
PERSONAL SERVICES	77,276	44,435	121,711	43,486	165,197
UTILITIES, RENTALS, AND OTHER SERVICES	15,491	22,114	37,605	16,944	54,549
COMMODITIES AND SUPPLIES	24,639	32,752	57,391	2,564	59,955
GRANTS AND SUBSIDIES	176	692	868	36,431	37,299
DEPRECIATION AND AMORTIZATION	7,172	9,832	17,004	12,426	29,430
INTEREST				89,997	89,997
TRAVEL	1,590	252	1,842	753	2,595
REINSURANCE EXPENSE		2,127	2,127		2,127
CLAIMS EXPENSE	369,960	21,824	391,784		391,784
PRIZE EXPENSE	339,868		339,868		339,868
OTHER EXPENSES	63,416		63,416	31,639	95,055
TOTAL OPERATING EXPENSES	899,588	134,028	1,033,616	234,240	1,267,856
OPERATING INCOME (LOSS)	8,411	(10,489)	(2,078)	(38,307)	(40,385)
NONOPERATING REVENUE (EXPENSES):					
INTERGOVERNMENTAL REVENUE				1,574	1,574
GRANTS AND DONATIONS				40,479	40,479
MEMBERSHIP REVENUE				317	317
KENTUCKY CENTER FOR THE ARTS ENDOWMENT				720	720
GAIN (LOSS) ON SALE OF FIXED ASSETS	(41)	1,658	1,617	(18)	1,599
INTEREST AND OTHER INVESTMENT INCOME	7,368	18	7,386	222	7,608
CHANGE IN ACTUARIAL ESTIMATE	21,036		21,036		21,036
INTEREST EXPENSE	(2)	(567)	(569)	(2,271)	(2,840)
OTHER REVENUES (EXPENSES)	2		2	(1,049)	(1,047)
TOTAL NONOPERATING REVENUES (EXPENSES)	28,363	1,109	29,472	39,974	69,446
INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEMS	36,774	(9,380)	27,394	1,667	29,061
OPERATING TRANSFERS IN	36,654	30,466	67,120		67,120
TRANSFERS FROM PRIMARY GOVERNMENT				59,310	59,310
TRANSFERS FROM COMPONENT UNITS				2,500	2,500
OPERATING TRANSFERS OUT	(158,013)	(22,351)	(180,364)		(180,364)
TRANSFERS TO PRIMARY GOVERNMENT				(710)	(710)
TRANSFERS TO COMPONENT UNITS				(2,500)	(2,500)
NET INCOME (LOSS)	(84,585)	(1,265)	(85,850)	60,267	(25,583)
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	1,798	4,405	6,203	5,299	11,502
INCREASE (DECREASE) IN RETAINED EARNINGS	(82,787)	3,140	(79,647)	65,566	(14,081)
RETAINED EARNINGS AT JULY 1 (NOTE 2), AS RESTATED	(995,325)	(33,572)	(1,028,897)	568,368	(460,529)
RESIDUAL EQUITY TRANSFER		3,298	3,298		3,298
RETAINED EARNINGS AT JUNE 30	\$ (1,078,112)	\$ (27,134)	\$ (1,105,246)	\$ 633,934	\$ (471,312)

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**COMMONWEALTH OF KENTUCKY  
 COMBINED STATEMENT OF CHANGES IN NET PLAN ASSETS  
 PENSION TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	<u>Pension Benefits</u>	<u>Healthcare Benefits</u>	<u>Totals (Memorandum Only)</u>
<b>ADDITIONS</b>			
<b>CONTRIBUTIONS:</b>			
EMPLOYER	\$ 574,178	\$ 124,797	\$ 698,975
MEMBER	335,701	29,487	365,188
TOTAL CONTRIBUTIONS	<u>909,879</u>	<u>154,284</u>	<u>1,064,163</u>
<b>INVESTMENT INCOME</b>			
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	2,561,525	68,207	2,629,732
INTEREST	455,221	14,628	469,849
DIVIDENDS	209,150	5,210	214,360
REAL ESTATE OPERATING INCOME, NET	37,418		37,418
SECURITIES LENDING INCOME	27,200		27,200
TOTAL INVESTMENT INCOME	<u>3,290,514</u>	<u>88,045</u>	<u>3,378,559</u>
LESS: INVESTMENT EXPENSE	41,313	1,695	43,008
LESS: SECURITIES LENDING EXPENSE	26,503		26,503
NET INVESTMENT INCOME	<u>3,222,698</u>	<u>86,350</u>	<u>3,309,048</u>
TOTAL ADDITIONS	<u>4,132,577</u>	<u>240,634</u>	<u>4,373,211</u>
<b>DEDUCTIONS:</b>			
BENEFIT PAYMENTS	751,277		751,277
REFUNDS	50,829	2	50,831
ADMINISTRATIVE EXPENSE	10,415	2,996	13,411
OTHER DEDUCTIONS, NET	89,930	108,893	198,823
TOTAL DEDUCTIONS	<u>902,451</u>	<u>111,891</u>	<u>1,014,342</u>
<b>NET INCREASE</b>	<u>3,230,126</u>	<u>128,743</u>	<u>3,358,869</u>
<b>NET ASSETS HELD IN TRUST</b>			
BEGINNING OF YEAR	14,280,954	409,523	14,690,477
ADJUSTMENTS TO NET ASSETS	888,247	308	888,555
END OF YEAR	<u>\$ 18,399,327</u>	<u>\$ 538,574</u>	<u>\$ 18,937,901</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



**COMMONWEALTH OF KENTUCKY  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 1997  
(Expressed in Thousands)**

	Proprietary Fund Types		Totals Primary Government	Component	Totals Reporting Entity
	Enterprise	Internal Service	(Memorandum Only)	Units	(Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 877,436	\$ 82	\$ 877,518	\$ 135,544	\$ 1,013,062
CASH RECEIVED FROM CUSTOMERS - STATE	2,276	122,035	124,311		124,311
COLLECTION OF PROGRAM LOANS				250,756	250,756
PROGRAM LOANS ISSUED				(276,746)	(276,746)
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(99,911)	(55,031)	(154,942)	(162,853)	(317,795)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(75,870)	(43,862)	(119,732)	(41,188)	(160,920)
CASH PAYMENTS FOR CLAIMS EXPENSE	(624,814)	(15,240)	(640,054)		(640,054)
CASH PAYMENTS (TO) FROM OTHER SOURCES	(5,034)	(1,195)	(6,229)	(7,436)	(13,665)
NET CASH PROVIDED BY OPERATING ACTIVITIES	74,083	6,789	80,872	(101,923)	(21,051)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
PROCEEDS FROM BOND ISSUANCE				285,947	285,947
PROCEEDS FROM SALE OF REVENUE BONDS FOR COST OF ISSUANCE				(1,396)	(1,396)
PRINCIPAL PAYMENT ON DEBT				(109,281)	(109,281)
DEBT RELATED EXPENSES				(68,695)	(68,695)
SUBSIDIES				64,495	64,495
RESIDUAL EQUITY TRANSFER IN		9,204	9,204		9,204
OPERATING TRANSFERS-IN FROM OTHER FUNDS	36,872	6,985	43,857	36,431	80,288
OPERATING TRANSFERS-OUT TO OTHER FUNDS	(156,182)	(4,776)	(160,958)	(2,838)	(163,796)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	(119,310)	11,413	(107,897)	204,663	96,766
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(1,299)	(14,026)	(15,325)	(9,715)	(25,040)
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	(500)	(1,587)	(2,087)	(3,050)	(5,137)
INCREASE IN RESTRICTED ASSET-CONSTRUCTION ACCOUNT				(6,316)	(6,316)
RESTRICTED INCOME-CONSTRUCTION				292	292
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS	(3)	(567)	(570)	(1,280)	(1,850)
PROCEEDS FROM SALE OF EQUIPMENT	320	1,099	1,419		1,419
CONTRIBUTED CAPITAL				8,355	8,355
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(1,482)	(15,081)	(16,563)	(11,714)	(28,277)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
PURCHASE OF INVESTMENT SECURITIES	(995,279)	(8,671)	(1,003,950)	(1,345,514)	(2,349,464)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES	960,174	92	960,266	1,335,778	2,296,044
INTEREST AND DIVIDENDS ON INVESTMENTS	26,887	375	27,262	45,615	72,877
NET CASH USED IN INVESTING ACTIVITIES	(8,218)	(8,204)	(16,422)	35,879	19,457
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(54,927)	(5,083)	(60,010)	126,905	66,895
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	159,524	14,893	174,417	360,966	535,383
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 104,597	\$ 9,810	\$ 114,407	\$ 487,871	\$ 602,278

	Proprietary Fund Types		Totals	Component	Totals
	Enterprise	Internal Service	Primary	Units	Reporting
			Government (Memorandum Only)		Entity (Memorandum Only)
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH</b>					
<b>PROVIDED BY OPERATING ACTIVITIES:</b>					
OPERATING INCOME (LOSS)	\$ 8,411	\$ (10,489)	\$ (2,078)	\$ (38,307)	\$ (40,385)
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET					
CASH PROVIDED BY OPERATING ACTIVITIES:					
PROVISION FOR UNCOLLECTIBLE ACCOUNTS				5,958	5,958
DEPRECIATION AND AMORTIZATION	7,173	9,832	17,005	12,330	29,335
INTEREST AND OTHER INVESTMENT INCOME	(32,118)	(368)	(32,486)	8,130	(24,356)
INTEREST EXPENSE				12,576	12,576
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)	3	(14)	(11)	(27,089)	(27,100)
CHANGE IN ASSETS AND LIABILITIES:					
(INCREASE) DECREASE IN ASSETS					
RECEIVABLES, NET	9,075	(683)	8,392	(77,586)	(69,194)
INTERFUND RECEIVABLES	876	553	1,429		1,429
INVENTORIES	1,371	604	1,975	71	2,046
PREPAID EXPENSES	(106)	131	25	(260)	(235)
OTHER ASSETS	(2,260)	320	(1,940)	(49)	(1,989)
INCREASE (DECREASE) IN LIABILITIES					
ACCOUNTS PAYABLE	5,500	2,351	7,851	3,943	11,794
INTERFUND PAYABLES	(5,902)	1,335	(4,567)		(4,567)
CLAIMS LIABILITY	85,045	6,223	91,268		91,268
COMPENSATED ABSENCES	603	201	804	366	1,170
OTHER LIABILITIES	(4,255)	(3,221)	(7,476)	(1,680)	(9,156)
DEFERRED REVENUE	667	14	681	(326)	355
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 74,083</u>	<u>\$ 6,789</u>	<u>\$ 80,872</u>	<u>\$ (101,923)</u>	<u>\$ (21,051)</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS, JUNE 30, 1997**

	Component
	Units
PER COMBINED BALANCE SHEET	\$ 928,750
LESS: UNIVERSITIES	(440,879)
CASH AND CASH EQUIVALENTS FOR PROPRIETARY COMPONENT UNITS	<u>\$ 487,871</u>

THE PROPRIETARY FUND ACQUIRED ASSETS OF \$57,325(000) THROUGH NON-CASH TRANSACTIONS. CONTRIBUTED CAPITAL TOTALED \$57,258,(000). CAPITAL LEASES TOTALED \$67,(000). PAYMENTS FOR PRINCIPAL AND INTEREST FOR THE YEAR WERE \$15,(000) AND \$2,(000), RESPECTIVELY. GRAND PRIZE INVESTMENTS AND THE RELATED PRIZE LIABILITY WERE INCREASED DURING THE YEAR BY APPROXIMATELY \$17,566,(000) ACCRETION OF INTEREST.

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**COMMONWEALTH OF KENTUCKY  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
 ALL UNIVERSITY AND COLLEGE CURRENT FUNDS  
 FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	<b>Totals June 30, 1997</b>
REVENUES:	
TUITION AND FEES	\$ 333,196
FEDERAL GRANTS AND CONTRACTS	142,881
STATE/LOCAL GRANTS AND CONTRACTS	33,976
PRIVATE GIFTS, GRANTS AND CONTRACTS	73,210
ENDOWMENT INCOME	4,946
SALES AND SERVICES OF EDUCATION ACTIVITIES	59,029
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	424,249
OTHER REVENUES	145,206
TOTAL CURRENT REVENUES	<u>1,216,693</u>
EXPENDITURES AND TRANSFERS:	
EDUCATIONAL AND GENERAL:	
INSTRUCTION	561,926
RESEARCH	85,601
PUBLIC SERVICE	189,968
ACADEMIC SUPPORT	95,473
LIBRARIES	50,947
STUDENT SERVICES	75,169
INSTITUTIONAL SUPPORT	118,628
STUDENT FINANCIAL AID	152,349
MAINTENANCE AND OPERATION	100,590
OTHER EXPENDITURES	810
TOTAL EDUCATIONAL AND GENERAL EXPENDITURES	<u>1,431,461</u>
MANDATORY TRANSFERS FOR:	
PRINCIPAL AND INTEREST	67,288
LOAN FUND	171
UNEXPENDED PLANT FUND	2,054
RETIREMENT OF INDEBTEDNESS	165
NON-MANDATORY TRANSFERS FOR:	
CURRENT FUND - UNRESTRICTED	(18,939)
CURRENT FUND - RESTRICTED	(3,865)
LOAN FUND	90
ENDOWMENT AND SIMILAR FUNDS	747
UNEXPENDED PLANT FUND	57,552
RENEWAL AND REPLACEMENT	3,146
TOTAL EDUCATIONAL AND GENERAL	<u>1,539,870</u>
AUXILIARY ENTERPRISES AND HOSPITALS:	
EXPENDITURES	401,355
MANDATORY TRANSFERS FOR:	
PRINCIPAL AND INTEREST	13,030
RENEWAL AND REPLACEMENT	81
RETIREMENT OF INDEBTEDNESS	1,117
NON-MANDATORY TRANSFERS FOR:	
CURRENT FUND - UNRESTRICTED	6,350
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED	(6,773)
UNEXPENDED PLANT FUND	2,097
RENEWAL AND REPLACEMENT	1,797
TOTAL AUXILIARY ENTERPRISES AND HOSPITALS	<u>419,054</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>1,958,924</u>
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):	
TRANSFERS FROM PRIMARY GOVERNMENT	737,894
TRANSFERS TO PRIMARY GOVERNMENT	(3,634)
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUE	40,230
INDIRECT COST RECOVERED	5,374
REFUNDS TO GRANTORS	(424)
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)	1,029
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 38,238</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**COMMONWEALTH OF KENTUCKY  
 COMBINED STATEMENT OF CHANGES IN FUND BALANCE  
 ALL UNIVERSITY AND COLLEGE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	<b>Totals June 30, 1997</b>
REVENUES AND OTHER ADDITIONS:	
EDUCATIONAL AND GENERAL REVENUES	\$ 582,788
AUXILIARY ENTERPRISES AND HOSPITALS REVENUES	425,503
INDIRECT COST RECOVERED	5,205
RESTRICTED GRANTS AND CONTRACTS	293,973
RESTRICTED GIFTS AND GRANTS	68,365
ENDOWMENT INCOME	4,441
INTEREST AND OTHER INVESTMENT INCOME	61,013
EXPENDED FOR PLANT FACILITIES	164,977
RETIREMENT OF INDEBTEDNESS	49,998
OTHER REVENUE AND ADDITIONS	112,716
TOTAL REVENUES AND OTHER ADDITIONS	<u>1,768,979</u>
EXPENDITURES AND OTHER DEDUCTIONS:	
EDUCATIONAL AND GENERAL EXPENDITURES	1,430,584
AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES	401,355
REFUNDS TO GRANTORS	206
ADMINISTRATIVE, COLLECTION, AND LITIGATION COSTS	730
LOAN CANCELLATIONS	1,010
PAYMENT TO BENEFICIARIES	619
EXPENDED FOR PLANT FACILITIES	120,068
RETIREMENT OF INDEBTEDNESS	49,705
INTEREST PAYMENTS	44,798
DISPOSAL OF PLANT FACILITIES	45,053
NOTES ISSUED	4,443
OTHER EXPENDITURES	167,395
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	<u>2,265,966</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):	
NON-MANDATORY TRANSFERS FOR:	
TRANSFERS FROM PRIMARY GOVERNMENT	773,885
TRANSFERS TO PRIMARY GOVERNMENT	(4,419)
TOTAL TRANSFERS AMONG FUNDS	<u>769,466</u>
INCREASE (DECREASE) IN FUND BALANCE	272,479
FUND BALANCE AT JULY 1, (NOTE 2) AS RESTATED	2,949,602
FUND BALANCE AT JUNE 30	<u>\$ 3,222,081</u>

THE ACCOMPANYING NOTES TO COMBINED FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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Note 1

SIGNIFICANT ACCOUNTING POLICIES

**A. Basis of Presentation** - The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements for the University and College Funds have been prepared in conformity with generally accepted accounting principles as prescribed by the AICPA Audit Guide, Audits of Colleges and Universities.

**B. Financial Reporting Entity** - For financial reporting purposes, the Commonwealth of Kentucky includes all fund types, account groups, departments, and agencies of the Commonwealth, as well as boards, commissions, authorities, corporations, colleges, and universities. These organizational entities comprise the reporting entity of the Commonwealth and are reported in accordance with GASB 14. Consequently, the reporting entity includes organizations that are not legally separate from the primary government and those which are legally separate. Organizations, not legally separate, are reported as part of the primary government. Legally separate organizations are reported as component units if either, the Commonwealth is financially accountable or whose exclusion would cause the Commonwealth's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services almost entirely or exclusively to the primary government or their governing body is substantively the same as the governing body for the primary government. All other component units are discretely presented.

Audited financial statements are available for the following blended component units: Kentucky Lottery Corporation and the Kentucky Turnpike Authority. Audited financial statements are available for all discretely presented component units except the Kentucky Agricultural Finance Authority and the Kentucky Grain Insurance Corporation. (See page 79 for complete list of component units' addresses.)

Blended Component Units

The following legally separate organizations provide services entirely, or almost entirely to the State or otherwise exclusively, or almost exclusively, that benefit the State, and therefore, these organizations' balances and transactions are reported as though they were part of the State's primary government using the blending method.

State Property and Buildings Commission (KRS 56.450)

This commission is a public body corporate created to issue all revenue bonds for state agencies, unless those agencies are speci-

cally authorized by other provisions of the Kentucky Revised Statutes to issue bonds. The commission is composed of six ex officio members.

Kentucky River Authority (KRS 151.710)

The Kentucky River Authority possesses the corporate powers that would distinguish it as being legally separate from the Commonwealth. This authority's sole purpose is the maintenance of the Commonwealth's locks and dams on the Kentucky River. The Governor appoints the ten members of this authority.

Kentucky Lottery Corporation (KRS 154A.020)

The Kentucky Lottery Corporation is empowered by the Legislature to administer the Kentucky state lottery games. The board of directors is comprised of seven members appointed by the Governor with the advice and consent of the Senate.

School Facilities Construction Commission (KRS 157.617)

The commission is an independent corporate agency and instrumentality of the Commonwealth. The purpose of the Commission is to assist local school districts in meeting the school construction needs of the Commonwealth in a manner which will ensure an equitable distribution of funds based upon unmet needs. One ex officio member and eight members appointed by the Governor comprise the Commission. The Commission was audited in conjunction with the Commonwealth's financial statements.

Turnpike Authority of Kentucky (KRS 175.430)

The Turnpike Authority is a body corporate and politic created solely to perform essential governmental functions and to serve the public purposes of constructing, acquiring, financing, and operating turnpike and other road projects for the use, safety, convenience and general welfare of the traveling public, by leasing such projects to the Transportation Cabinet. The seven members of the authority are all ex officio members, including the Governor.

Board of Agriculture (KRS 246.120)

The board is a body corporate created to act as an advisory board to the Commissioner of Agriculture and aid him in the collection of information concerning crops and in the promulgation of industrial information and act as an immigration committee. The board consists of nine members, two ex officio members and seven citizens of the Commonwealth appointed by the Governor.

Kentucky Savings Bond Authority (KRS 293.030)

The authority is a body corporate and politic created to promote investment by the general public in bonds of the Commonwealth

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and to reduce interest costs to the Commonwealth or its agencies. The authority consists of seven commissioners, three ex officio members and four members appointed by the Governor.

Discretely Presented Component Units

The component units' columns in the combined financial statements include the data of the following organizations. They are reported in a separate discrete column that is labeled as "Component Units" to emphasize these organizations' separateness from the State's primary government.

Bluegrass State Skills Corporation (KRS 154.12-205)

This corporation was created and established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skills training and education. The board of directors consists of eighteen members, five ex officio members and thirteen members appointed by the Governor.

Kentucky State Fair Board (KRS 247.090)

This board is a body corporate created to account for revenues earned and expenses incurred in the commercial operations of the State Fair Board. Twelve members compose the board, three ex officio members, the other nine appointed by the Governor.

Kentucky Center for the Arts Corporation (KRS 153.410)

The Center for the Arts is a body corporate created by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The board consists of fifteen members appointed by the Governor.

Kentucky Educational Television Authority (KRS 168.030)

KET is a public body corporate and politic created to prescribe and enforce regulations governing the use of educational television and television facilities and related functions. KET also produces and transmits educational television programs. The authority consists of nine members, five being appointed by the Governor. A component unit of KET is the Kentucky Educational Television Foundation. The foundation is a non-profit Kentucky corporation, which receives, holds and administers gifts and grants in the name of and with the approval of the authority.

Kentucky Economic Development Finance Authority (KRS 154.20-010)

KEDEFA possesses the corporate powers necessary to distinguish it as being legally separate from the Commonwealth and was established to assist business enterprises in obtaining financial resources in order to promote the Commonwealth's long-term economic

growth. The Kentucky Economic Development Partnership board appoints the five members of this authority. Additionally, other component units of the authority include: The Commonwealth Small Business Development Corporation, the Kentucky Industrial Development Authority, the Kentucky Industrial Revitalization Authority, Kentucky JOBS Development Authority, and the Kentucky Mortgage Insurance and Guarantee Corporation. The financial statements of the component units have been combined with those of the authority.

Kentucky Higher Education Assistance Authority (KRS 164.742)

This authority is a body corporate and politic created to improve the higher education opportunities of persons who are attending or planning to attend eligible institutions, and by insuring eligible student loans.

Kentucky Higher Education Student Loan Corporation (KRS 164A.050)

KHESLC is a body corporate and public created to perform essential governmental and public functions and purposes in improving and promoting the education opportunities of the citizens of the Commonwealth. The board of directors consists of seven members, three ex officio members and four members appointed by the Governor.

Kentucky Educational Savings Plan Trust (KRS 164A.310)

This trust was established to encourage citizens to invest funds for future educational use, and to create an endowment fund, the income from which will be available to participants' savings.

Kentucky Housing Corporation (KRS 198A.030)

The Housing Corporation is a body corporate and public created to perform essential governmental and public functions in improving and promoting the health and welfare of the citizens of the Commonwealth by the production of residential housing in Kentucky. The board of directors consists of six ex officio members and eight members appointed by the Governor.

Kentucky Infrastructure Authority (KRS 224A.030)

The authority is a body corporate and politic created solely to perform essential governmental functions and to serve the public agencies in the Commonwealth with respect to the construction and acquisition of infrastructure projects. The board consists of five ex officio members and three members appointed by the Governor.

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Kentucky Agricultural Finance Corporation (KRS 247.944)

KAFC is a corporation created to improve and promote the health and general welfare of the people through the promotion of agriculture. The board of directors consists of three ex officio members and nine members appointed by the Governor.

Kentucky Grain Insurance Corporation (KRS 251.620)

KGIC is a body politic created to promote the state's welfare by improving the economic stability of agriculture and protecting grain producers in the event of the financial failure of a grain dealer or warehousemen. The board of directors consists of four ex officio members and six members appointed by the Commissioner of the Department of Agriculture.

Kentucky Local Correctional Facilities Construction Authority (KRS 441.615)

This authority is a body corporate and politic created to provide an additional and alternative method of constructing, reconstructing, improving or repairing and financing jails and appurtenant facilities for any local government in the Commonwealth. The membership consists of six ex officio members and four members appointed by the Governor.

State Colleges and Universities (KRS 164.350)

Each board of regents or board of trustees are appointed by the Governor, and constitute a body corporate with the power to receive and administer revenue and property.

**C. Fund Structure and Basis of Accounting - Primary Government** - The accompanying financial statements are structured into three fund categories and two account groups. The fund categories include governmental funds, proprietary funds and fiduciary funds. Account groups are presented for general fixed assets and general long-term obligations.

**Governmental Funds include:**

**General Fund** - accounts for financial resources appropriated by the General Assembly which are not required to be accounted for in another fund.

**Special Revenue Funds** - account for specific revenue sources, other than for expendable trusts or major capital projects, dedicated to specific operations.

**Debt Service Fund** - accounts for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related administrative costs.

**Capital Projects Fund** - accounts for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment, other than those financed by proprietary funds and certain trust funds.

All of the governmental funds (where the measurement focus is on the flow of current financial resources) are accounted for on the modified accrual basis of accounting. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Available revenue will be received within 30 days. Principal revenue sources accounted for on the modified accrual basis include federal grants, sales and use tax, coal severance tax, property tax, departmental fees, income taxes, and interest income. Motor vehicle registration fees and fines and forfeitures are accounted for on the cash basis. Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale February 1 following the delinquency date. Expenditures are recorded at the time liabilities are incurred except: (1) inventories generally are considered expenditures at acquisition; (2) prepayments usually are accounted for as expenditures of the period of acquisition; (3) principal and interest on long-term debt are recorded when paid; and (4) compensated absences are accounted for as expenditures of the period when used. Encumbrances represented by executed and unperformed contracts, which have been approved by the Finance and Administration Cabinet, at year end are reported as reservations of fund balance for subsequent year expenditure in the Capital Projects and Transportation Funds. Encumbrances in all other funds lapse at the end of the fiscal year.

**Proprietary Funds:**

The State has adopted the provisions of GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that use Proprietary Fund Accounting." As permitted by GASB Statement No. 20, the primary government's proprietary funds have elected not to adopt FASB Statements or Interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations. Each proprietary component unit has individually made this election as disclosed in their separate audit reports.

**Enterprise Funds** - account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of Kentucky and the operation of State agencies that provide goods or services to the general public on a user charge basis. Also included are the operations of the State's risk management pools.

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**Internal Service Funds** - account for financing goods and services provided by one agency of the Commonwealth primarily to other agencies or governments on a cost reimbursement basis.

All of the proprietary funds (where the measurement focus is on the flow of economic resources) are accounted for on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and become measurable. Expenses are recognized at the time liabilities are incurred.

**Fiduciary Funds include:**

**Expendable Trust Funds** - account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes.

**Pension Trust Funds** - account for monies received for, expenses incurred by, and net assets available for plan benefits of the various public employee retirement systems.

**Agency Funds** - account for monies held by the Commonwealth and deferred compensation plans for custodial purposes only.

Expendable Trust and Agency Funds are accounted for on the modified accrual basis of accounting and are reported in the same manner as governmental fund types. Pension Trust Funds are accounted for on the accrual basis of accounting and reported in the same manner as proprietary fund types.

**Account Groups include:**

**General Fixed Assets Account Group** - accounts for fixed assets acquired or constructed for general governmental purposes other than those of the proprietary and fiduciary fund types.

**General Long-Term Obligations Account Group** - accounts for unmatured general long-term liabilities of the Commonwealth other than those of the proprietary and fiduciary fund types.

Certain obligations included in the General Long-Term Obligations Account Group for the State Property and Buildings Commission are also reflected in the statements as investments: The State Property and Buildings Commission issued \$41,380,000 Taxable University Refunding bonds. The proceeds from this issue were used to purchase certain outstanding Housing and Dining Revenue bonds of the State's universities. The income from the Housing and Dining bonds will be used to pay the debt service on the Project Revenue bonds. Savings will be used to reduce the universities' debt service requirements. See Note 15 for additional information.

**D. Component Units** - presentation of the underlying fund types of the individual component units reported in the discrete column is available from each respective component unit's separately issued financial statements.

**E. Budgetary Process and Control** - The Commonwealth of Kentucky requires that each branch of government prepare and submit a recommended budget to the General Assembly for each of the two fiscal years to be included in a biennial budget. These budgets are prepared principally on the cash basis. The Legislature reviews these budget requests, makes any necessary revisions, and legally adopts a biennial budget for each of the three branches of government. The Governor has the power to approve or veto each bill, subject to legislative override.

The financial plan for each fiscal year, as presented in a branch budget recommendation, shall be adopted with such modifications as made by the General Assembly (and explained in a budget memorandum) by the passage of the budget bill and such revenue and other acts necessary for the purpose. A budget bill shall not be effective past July 1 of the year in which the next regular session takes place.

Budgetary control is maintained at the budget unit level as designated by the Legislature (i.e., function, major program area, program, or unit of organization).

Appropriations for the General Fund and Road Fund shall be based upon revenue estimates prepared by the Finance and Administration Cabinet and modifications made by the appropriations committee of the General Assembly. Official revenue estimates are not made for the other budgetary funds.

The funds which have legally adopted annual budgets as part of the primary government include the following: General, Transportation, Federal, Agency Revenue, State Parks, Industries for the Blind, Horse Park, Insurance Administration, Fleet Management, Computer Services, Central Stores, Telecommunications, Prison Industries, Central Printing, Property Management, and Risk Management, and Unemployment Trust. In addition, the State Fair Board Fund, which is shown as a discretely presented component unit, has a legally adopted budget. Capital Projects are budgeted on a project length basis.

The funds allotted for each purpose of expenditure shall be used for no other purpose, except that the head of any budget unit, with the approval of the Secretary of the Finance and Administration Cabinet, may transfer allotted funds from one purpose of expenditure to another within the budget unit. No revisions of the allotment schedule may provide for an allotment or allotments in excess of the amount appropriated to that budget unit in a joint budget resolution or for expenditure for any other purpose than specified in a joint budget resolution and a budget memorandum. However, budgetary funds except General Fund, Transportation Fund, and Capital Projects Fund, may be amended in an amount up to the actual receipts (not to exceed 5%) by an Advice of Change Order from the Secretary of the Finance and Administration Cabinet. No supplemental appropriations were required during this fiscal year.

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Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year end for long-term construction contracts other than commitments of a continuing nature are reported as reservations of fund balance for subsequent year expenditures. All other encumbered and unencumbered appropriations lapse at the end of each fiscal year except in the Capital Projects and Transportation Funds, which have project length budgets. Encumbrances are carried forward as revisions to appropriations.

The annual budget is prepared principally on the cash basis, which basis differs from generally accepted accounting principles (GAAP). A reconciliation between the budgetary basis and the GAAP basis is presented in Note 4.

**F. Cash and Cash Equivalents** - In addition to bank accounts, cash on hand, and imprest cash, this classification includes short-term investments with a maturity of 90 days or less, from date of purchase. Cash equivalents are generally stated at cost, which approximates market. Deferred Compensation amounts are reported at market. Short-term investments, classified as cash equivalents at June 30, 1997, are \$2,863,067,252.

**G. Investments** - This classification includes long-term investments which are stated at cost, amortized cost, or fair value. Investments of the Deferred Compensation Plan are reported at market value. See Note 5 for investment detail.

**H. Receivables** - Receivables in the Commonwealth's governmental and fiduciary funds primarily consist of Federal revenues, taxes, and interest on investments. Some governmental fund revenues are not susceptible to accrual prior to receipt, including licenses, fees, permits, and similar revenues which are recognized on the cash basis. Receivables in all other funds have arisen in the ordinary course of business. Receivables in the governmental funds are reported net of allowances for uncollectibles. The allowance for uncollectibles amounted to \$488,473,885.

**I. Interfund Transactions** - The Commonwealth has the following types of interfund transactions:

**Quasi-external Transactions** - Charges for services rendered by one fund to another that are treated as revenues of the recipient fund and expenditures or expenses of the disbursing fund.

**Reimbursements** - Reimbursement of expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

**Residual Equity Transfers** - Nonroutine or nonrecurring transfers between funds are reported as additions to or deductions from the fund equity balance.

**Operating Transfers** - Legally authorized transfers other than residual equity transfers are reported as operating transfers in the financial statements.

The composition of the interfund transactions is presented in Note 7.

**J. Inventories** - Inventories in the governmental funds and similar trust funds consist of expendable supplies held for consumption, the costs of which are recorded as an expenditure at the time of purchase. Reserves of fund balance have been established for the inventory balances for governmental funds. Inventories in the proprietary funds and similar trust funds consist of both expendable supplies held for consumption and the cost of goods held for resale, the costs of which are recorded as an expense as they are used. Inventories are valued at cost (first-in, first-out, or average cost).

**K. Fixed Assets and Depreciation-General Fixed Assets** - The policy of the primary government is to capitalize all land, buildings, and equipment having an acquisition cost of \$5,000 or greater. Component units establish their own capitalization policy and that policy may vary from the amount of the primary government. All fixed assets acquired or constructed for general governmental purposes are reported as expenditures in the fund that finances the asset acquisition. Fixed assets are valued in the General Fixed Assets Account Group at historical cost, estimated historical cost or fair market value at time of donation. Buildings of \$678,337,000 at June 30, 1997, were valued as follows: \$351,961,000 at estimated historical cost, \$280,829,000 at historical cost and \$45,547,000 at fair market value at time of donation. Land of \$78,247,000 at June 30, 1997, was valued as follows: \$34,138,000 at estimated historical cost, \$30,902,000 at historical cost, and \$13,207,000 at fair market value at time of donation. The estimates of historical cost were based on appraised value, as of June 30, 1986, indexed to the date of acquisition. Also, public domain (infrastructure) general fixed assets such as highways, curbs, bridges, and right-of-ways are not capitalized. No depreciation is provided on general fixed assets.

**Proprietary and Similar Fiduciary Fund Types** - Fund fixed assets acquired or constructed have been stated at historical cost, estimated historical cost, or fair market value at the time of donation. Historical cost has been estimated for approximately eighty-five percent (85%) of the land cost and fifty-six percent (56%) of the proprietary fund's buildings cost as of June 30, 1997. The estimate of historical cost was based on appraised value as of June 30, 1986, indexed to the date of acquisition. Land and buildings acquired after June 30, 1986, have been valued at historical cost. They are being depreciated principally on a straight-line basis over estimated useful lives ranging from 20 to 50 years for buildings, 3 to 25 years for machinery and equipment, and 10 to 60 years for improvements other than buildings.

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It is the Commonwealth's policy to capitalize interest expense incurred on significant assets in proprietary funds during their construction in accordance with FASB Statement No. 62.

The discretely presented component unit financial statements of The Kentucky Center for the Arts, Fiscal Year 1997, do not contain the Center's fixed assets. The Finance and Administration Cabinet, Division of Accounts, Financial Reporting Branch, has adjusted the discretely presented component units column on the appropriate combined statements included in the Commonwealth of Kentucky Comprehensive Annual Financial Report for the

Year Ended June 30, 1997, to add dollar amounts for fixed assets, depreciation, and contributed capital associated with the Center in order to satisfy GAAP requirements regarding the State financial reporting entity.

**L. Fund Equity Reserves and Designations** - The Commonwealth's fund balance reserves represent those portions of fund balance (1) not appropriable for expenditure, or (2) legally segregated for a specific future use. Designated portions of fund balance represent tentative managerial plans for financial resource utilization in a future period.

**Fund Balance Reserved for Other Specific Purposes**  
(Expressed in Thousands)

	Primary Government			Component Units
	General	Special Revenue	Debt Service	Universities
Loans	\$	\$ 8,983	\$	\$
Inventories	10,871	32,630		
Restricted gifts, grants and contracts				664,790
Deposit with fiscal agents		6,547	19,272	
Compensating balance with depositories		997		
Budget Stabilization	200,000			
<b>TOTALS</b>	<b>\$ 210,871</b>	<b>\$ 49,157</b>	<b>\$ 19,272</b>	<b>\$ 664,790</b>

**M. Long-Term Obligations** - Long-term liabilities that will be financed from governmental funds and expendable trust funds are accounted for in the General Long-Term Obligations Account Group. These long-term liabilities include the following:

1. Payments of principal and interest for general obligation debt and revenue bonds which are recorded as expenditures in the Debt Service Fund.
2. Compensated absences reported in the General Long-Term Obligations Account Group include accumulated unpaid vacation and compensatory time accruals. The amount accruing to proprietary funds and pension trust funds has been included in the respective funds when material.

The policy of the Commonwealth is to record the cost of annual and compensatory leave. Annual leave is accumulated at amounts ranging from 7.5 to 13.13 hours per month, determined by length of service, with maximum accumulations ranging from 30 to 60 days. The calendar year is the period used for determining accumulated leave. At June 30, 1997, the estimated liability for accrued annual leave for the governmental and Primary Government proprietary funds was \$137,973,809 and \$9,069,754, respectively. Compensatory leave is granted to authorized employees on an hour-for-hour basis. At June 30, 1997, the estimated liability for compensatory leave in the governmental and Primary Government proprietary funds was \$41,751,580 and \$2,520,246, respectively.

Sick leave for the Primary Government is earned one day per month with unlimited accumulation. All of the qualifying retiring employees' sick leave balances, expressed in months, shall be added to their service credit for the purpose of determining their annual retirement. There is no liability in the accompanying financial statements for unpaid accumulated sick leave, since it is the Commonwealth's policy to record the cost of sick leave only when paid. See Note 17 for disclosure of the amount of this contingency. The component units have varying policies for compensated absences. Information regarding these policies is available in the audited financial statement of each component unit.

3. Outstanding capital lease obligations for governmental funds and expendable trust funds are reported in the General Long-Term Obligations Account Group.
4. Judgments and contingent liabilities of governmental funds which will not be paid with current resources are reported in the General Long-Term Obligations Account Group.
5. Long-term liabilities of all proprietary and pension trust funds are accounted for in the respective funds.

Long-term obligations exclude those amounts reported as expenditures for compensated absences, judgments, contingencies, and employer pension contributions in the governmental funds which are the amounts that would normally be liquidated with expendable available financial resources.

**N. Contributed Capital** - The Proprietary Funds receive general

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fund appropriations and proceeds of revenue bonds for the acquisition of specific fixed assets. The debt service for these bonds is paid by the Commonwealth's General Fund and the liability is reported in the General Long-Term Obligations Account Group. The assets acquired with the proceeds of the revenue bonds are accounted for in the proprietary funds with an offsetting entry to contributed capital.

(Expressed in Thousands)

**Primary Government - Enterprise Fund**

Contributed capital as of June 30, 1996, as restated	\$ 84,512	
Additions: Fiscal Year 1997	<u>31,017</u>	\$ 115,529
Amortization through June 30, 1996	\$ (20,926)	
Additions: Fiscal Year 1997	<u>(1,799)</u>	(22,725)
Net contributed capital as of June 30, 1997		<u>\$ 92,804</u>

**Primary Government - Internal Service Fund**

Contributed capital as of June 30, 1996, as restated	\$ 905	
Additions: Fiscal Year 1997	24,202	
Retirements: Fiscal Year 1997	<u>(8,614)</u>	\$ 16,493
Amortization through June 30, 1996	(165)	
Additions: Fiscal Year 1997	(4,405)	
Retirements: Fiscal Year 1997	<u>5,969</u>	1,399
Net contributed capital as of June 30, 1997		<u>\$ 17,892</u>

**Component Units - Proprietary Funds**

Contributed capital as of June 30, 1996	\$ 160,936	
Additions: Fiscal Year 1997	<u>2,039</u>	\$ 162,975
Amortization through June 30, 1996	(64,746)	
Additions: Fiscal Year 1997	<u>(5,299)</u>	(70,045)
Net contributed capital as of June 30, 1997		<u>\$ 92,930</u>

**O. Totals - Memorandum Only** - Total columns (memorandum only) have been added to certain statements to reflect totals for both the primary government and the reporting entity. These columns are presented for overview informational purposes and do not represent consolidated financial information.

**Note 2**

**CHANGES IN ACCOUNTING PRINCIPLES, REPORTING PRACTICES, AND PRIOR PERIOD ADJUSTMENTS**

The fund balances/retained earnings as previously reported have been restated to conform to generally accepted accounting principles and to correct balances for erroneously recorded transactions.

**Special Revenue Fund** - The Agency Revenue Fund, within the Special Revenue Fund, was restated to include \$859,000 previously omitted in error. The net effect of this adjustment was an increase in fund balance of \$859,000.

**Debt Service Fund** - The Debt Service was restated to report \$3,364,000 previously omitted in error. The net effect of this adjustment was an increase in fund balance of \$3,364,000.

**Capital Projects Fund** - The Capital Projects Fund was restated to remove \$568,000 previously reported in error. The effect of this adjustment was a decrease in fund balance of \$568,000.

**Enterprise Funds** - A change in capitalization policy, for financial reporting purposes, resulted in a decrease in retained earnings for the State Parks Fund, Industries for the Blind Fund, and Horse Park Fund. The effect of this change was a reduction in retained earnings of \$1,414,000, \$26,000, and \$119,000, respectively. The Insurance Administration Fund's fixed assets were decreased through a change in capitalization policy by \$1,853,341. The retained earnings were increased by \$631,000 for premiums receivable and \$26,427,000 assessments, which were previously omitted. The net effect of these changes was an increase in retained earnings of \$23,645,659.

**Internal Service Funds** - A change in capitalization policy, for financial reporting purposes, resulted in a decrease in retained earnings for the Computer Services Fund, Central Stores Fund, Telecommunications Fund, Prison Industries Fund, Central Printing Fund, Property Management Fund, and Risk Management Fund. The effect of this change was a reduction in retained earnings of \$1,580,000, \$19,000, \$123,000, \$322,000, \$86,000, \$404,000, and \$3,000, respectively. The Risk Management Fund was increased by \$6,000 to include an amount previously omitted in error. The net effect of these adjustments was a decrease in retained earnings of \$2,531,000.

**Trust and Agency Funds** - The Commonwealth Choice Fund, within the Agency Funds, was restated to include an amount previously omitted in error. The result of this restatement was an increase in assets and liabilities of \$1,828,000. Kentucky Teachers' Retirement System adopted the provisions of GASB Statement 25 and this change resulted in an increase in the beginning net assets held in trust for pension benefits of \$890,072,000. The net effect of these adjustments was an increase in retained earnings of \$891,900,000.

**Fixed Asset Account Group** - A change in capitalization policy, for financial reporting purposes, resulted in a decrease in assets held in the account group of \$178,474,000. Buildings totaling \$43,170,000 were previously omitted from the Account Group. The net effect on the Account Group was a decrease in assets of \$135,304,000.

**General Long-term Debt Account Group** - The long-term liabilities were increased by \$157,000 to include capital leases previously omitted in error. The liability for Unfunded Employer Pension Contribution was reduced by \$81,338,000 as a result of implementation of GASB Statement 27 reporting requirements. The net effect of these changes was a reduction in the General Long-term Debt Account Group of \$81,181,000.

**Component Units** - The retained earnings for the Kentucky Economic Development Finance Authority were decreased from an amount previously reported by \$841,000. The adjustment is the result of the removal of operations for which the Authority is no longer responsible. The retained earnings of the Kentucky Higher Education Assistance Authority were increased by \$3,534,000. This increase reflects additional Loan Insurance assets received. The net effect on fund balance for proprietary funds in a net increase of \$2,693,000.

The fund balance for the University of Kentucky increased by \$12,499,000 due to the implementation of GASB Statement 31. Western Kentucky University had a decrease in fund balance of \$436,000 due to timing difference of statements for its foundation, and an increase of \$396,000 due to the implementation of GASB Statement 31. Kentucky State University had a decrease in fund balance of \$837,000 due to the recording of a capital lease obligation not previously reported. The fund balance for the universities was restated by a net increase of \$11,226,000.

### Note 3

#### STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

**A. The Special Revenue Fund** - The Agency Revenue Fund budgetary statement has an excess of expenditures over appropriations of \$6,575,000 at June 30, 1997, for Campbell, Daviess, Fayette, Hardin, Jefferson, Kenton, Pike, and Warren counties, and is in accordance with State statutes. State statutes permit that "deficits may be made up out of the amount paid in any succeeding month; but in no event shall the amount allowed by the Finance and Administration Cabinet to any officer for salaries exceed seventy-five percent (75%) of the amount paid to the Finance and Administration Cabinet by the officer during his official term." These amounts are within the statutes and repayment will be made during the term of office of the official. The Federal Fund has a deficit fund balance of \$45,378,000. The deficit is a result of expenditures for which reimbursement has not been received.

**B. The Enterprise Fund** - The Insurance Administration Fund has a deficit retained earnings of \$1,153,625,000. The deficit is the result of the inclusion of the actuarial liability for the risk pools, which will be funded in future periods.

**C. The Internal Service Fund** - The Risk Management Fund has a deficit retained earnings of \$57,034,000. The deficit is the result of accumulated claims liabilities of the Commonwealth's self-insured worker's compensation programs, and is to be funded in future periods.

**D. Component Units** - Governmental Fund Types - Bluegrass State Skills Corporation has a deficit fund balance of \$162,000. The deficit is the result of expenditure accruals which will be funded in future periods.

Proprietary Fund Types - The Kentucky Educational Television Authority has a deficit retained earnings of \$6,075,000. The Kentucky Local Correctional Facilities Construction Authority has a deficit retained earnings of \$20,628,000, resulting from the recognition of loan commitments before financing was arranged. The Authority will issue bonds to satisfy these commitments in the future.

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**Note 4**

Fund type are not budgeted and are shown for comparison purposes only.

**BUDGETARY BASIS VS. GAAP**

The accompanying Combined Statement of Revenues and Expenditures-Budget and Actual (Budgetary Basis)-All Budgeted Fund Types, presents comparisons of the legally adopted budget (see Note 1E) with actual data on budgetary basis. The Other Special Revenue Fund within the Special Revenue Fund type and the Kentucky Lottery Corporation within the Enterprise

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a schedule reconciling the fund balance on a cash basis at June 30, 1997, to the fund balance on a modified accrual basis follows (expressed in thousands):

Budgetary Funds	General	Special Revenue	Enterprise	Internal Service	Expendable Trust	Component Units
Financial Statements Funds	General	Special Revenue	Enterprise	Internal Service	Fiduciary	Component Units
Fund Balance/Retained Earnings June 30, 1997:						
Budgetary Basis	\$ 538,075	\$ 1,340,352	\$ 277,959	\$ 46,574	\$ 550,531	\$ 118,112
Adjustments:						
Accrued Revenues	194,416	375,710	1,998	2,544	1,749	
Accrued Expenditures	(360,668)	(447,626)	(4,219)	(5,073)	(41,552)	
Accrued Transfers (Net)	(6,040)	216	(8)			
Total Accruals <sup>1</sup>	(172,292)	(71,700)	(2,229)	(2,529)	(39,803)	
Reclassifications and Other Adjustments:						
Inventory Balances <sup>1</sup>	10,871	32,578	3,965	5,681		
To Reclassify Financial Resources into Financial Statement Fund Types <sup>2</sup>		(485,744)	13,413	14,716		
To Record Financial Resources available as Non-Budgeted Funds <sup>3</sup>	(15,000)	401,036	(1,278,415)	(73,684)	19,161,417	3,830,671
Fund Equity/Other Credits June 30, 1997:						
GAAP Basis	\$ 361,654	\$ 1,216,522	\$ (985,307)	\$ (9,242)	\$ 19,672,145	\$ 3,948,783

<sup>1</sup> Basis Differences

<sup>2</sup> Perspective Differences

<sup>3</sup> Entity Differences

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**Note 5**

**EQUITY IN POOLED CASH AND INVESTMENTS, CASH, AND INVESTMENTS**

The State maintains a cash and investment pool that is available for use by all funds under the auspices of the State Investment Commission as authorized under KRS 42.500 et al. In addition, investments are separately held by several of the State's funds and Component Units. Legally authorized investments vary by fund but generally include: obligations of or guaranteed by the United States; obligations of any corporation of the United States Government; collateralized certificates of deposit; bankers' acceptances; commercial paper; and repurchase agreements. In addition to these, pension plans and certain Component Units are permitted to purchase common stocks, corporate bonds and real

property and mineral rights. The State is also eligible to invest in reverse repurchase agreements.

**Deposits** - At year end, the carrying amount of the State's deposits for the Primary Government was \$1,334,107,143 and \$271,979,948 for the Component Units. At year end, the bank balance was \$1,410,643,191 and \$290,025,091 for the Primary Government and Component Units, respectively. The bank balance of the Primary Government administered by the State Treasurer was covered by Federal depository insurance or by collateral held by the State or the State's agent in the State's name. The following table categorizes the Primary Government's and Component Units' deposits as: (1) insured or collateralized with securities by the entity or by its agent in the entity's name; (2) collateralized with securities held by the pledging institution's trust department or agent in the entity's name; or (3) uncollateralized where securities are held by the pledging institution but not in the entity's name.

CASH - PRIMARY GOVERNMENT

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Cash	\$ 759,489,450	\$	\$ 27,641,488	\$ 787,130,938	\$ 717,790,245
Cash with Fiscal Agents	33,433,452		10,362,116	43,795,568	38,048,342
Imprest and Change	11,310,838			11,310,838	9,998,904
Money Market			17,921,238	17,921,238	17,785,043
Total	<u>\$ 804,233,740</u>	<u>\$</u>	<u>\$ 55,924,842</u>	<u>860,158,582</u>	<u>783,622,534</u>
Cash on Deposit with Federal Government				<u>550,484,609</u>	<u>550,484,609</u>
				<u>\$1,410,643,191</u>	<u>\$1,334,107,143</u>

Total

CASH - COMPONENT UNITS

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Cash	\$ 171,572,174	\$ 9,350,257	\$ 42,828,311	\$ 223,750,742	\$ 205,705,599
Money Market	8,593,144	39,641,982	17,829,408	66,064,534	66,064,534
Nonnegotiable Certificates of Deposit	200,000		9,815	209,815	209,815
Totals	<u>\$ 180,365,318</u>	<u>\$ 48,992,239</u>	<u>\$ 60,667,534</u>	<u>\$ 290,025,091</u>	<u>\$ 271,979,948</u>

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**Investments** - The State holds investments both for its own benefit and as an agent for other related parties. The major investment programs conducted for the direct benefit of the State are administered by the Office of Financial Management and Economic Analysis. The credit risk of those investments held in the State investment pool is all Category (1). The credit risk mix of the retirement systems, component units, and other State agencies is disclosed in the financial statement footnotes of the individual entities. The following tables categorize the Primary Government's

and Component Units' investments as: Category (1) those investments which are insured or registered, or held by the State of Kentucky or its agent in the State's name; Category (2) those investments which are uninsured and unregistered with securities held by the counterparty's trust department or agent in the State's name; and Category (3) those investments which are uninsured and unregistered for which the securities are held by the counterparty or by its trust department or agent but not in the State's name.

**INVESTMENTS - PRIMARY GOVERNMENT**

	Categories			Net	
	1	2	3	Investment	Market Value
Government Securities	\$ 3,890,390,077	\$ 162,202,722	\$ 213,611,795	\$ 4,266,204,594	\$ 4,298,049,797
Negotiable Certificate of Deposit	6,656,314			6,656,314	6,655,494
Corporate Bonds	2,104,526,621	78,412,673	45,319,253	2,228,258,547	2,229,116,845
Common Stocks	10,894,547,526	66,611,840		10,961,159,366	10,980,306,602
Repurchase Agreements	667,846,654	456,821,300	1,120,593,447	2,245,261,401	2,251,864,571
State and Municipal Obligations	21,942,804			21,942,804	21,900,184
Commercial Paper	107,432,968			107,432,968	107,396,637
Securities Lending Collateral			691,254,778	691,254,778	691,254,778
<b>Totals</b>	<b>\$17,693,342,964</b>	<b>\$ 764,048,535</b>	<b>\$ 2,070,779,273</b>	<b>\$ 20,528,170,772</b>	<b>\$ 20,586,544,908</b>
Mutual Funds				186,110,838	186,110,838
Real Estate				524,035,232	524,035,232
Mortgages				398,601,241	398,601,241
Annuity Contracts				192,483,503	191,483,503
State Investment Pool				299,066,632	298,160,051
Investments Held by Broker-Dealers					
Under Securities Loaned				1,837,032,244	1,837,032,244
Other				129,395	107,995
<b>Total Investments</b>				<b>\$ 23,965,629,857</b>	<b>\$ 24,022,076,012</b>

**INVESTMENTS - COMPONENT UNITS**

	Categories			Net	
	1	2	3	Investment	Market Value
Government Securities	\$ 279,161,589	\$ 247,967,657	\$	\$ 527,129,246	\$ 529,830,970
Negotiable Certificates of Deposit	9,795,257			9,795,257	9,795,257
Corporate Bonds	43,089,670	267,939		43,357,609	43,623,416
Other	4,617,190		315,000	4,932,190	4,909,790
Common Stock	83,905,506	270,848		84,176,354	84,176,354
Repurchase Agreements	203,783,300	3,885,065		207,668,365	207,930,365
State and Municipal Obligations	500,110	409,381		909,491	934,239
Preferred Stock	475,500			475,500	475,500
Commercial Paper	31,354,590	44,142,428	5,864,411	81,361,429	81,367,164
Closed-End Mutual Funds	193,969	305,820		499,789	754,123
<b>Totals</b>	<b>\$ 656,876,681</b>	<b>\$ 297,249,138</b>	<b>\$ 6,179,411</b>	<b>960,305,230</b>	<b>963,797,178</b>
Endowment Funds				84,691,448	84,691,448
Open-End Mutual Funds				116,844,726	118,161,331
Guaranteed Investment Contracts				44,927,305	44,927,305
Real Estate				414,362	414,362
Trust Funds				11,479,878	11,320,121
State Investment Pool				394,476,186	393,346,324
<b>Total Investments</b>				<b>\$ 1,613,139,135</b>	<b>\$ 1,616,658,069</b>

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Statutes require that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement. The market value of securities underlying repurchase agreements fell below this required level on a few occasions during the year; however, no losses were sustained due to the fall in collateralization levels. The collateralization is monitored on a weekly basis (as specified within 200 KAR 14.081) and at any point where the collateralization falls below 102 percent of the cost of the repurchase agreement, the seller/borrower is contacted and the situation is normally rectified within two business days.

**Securities Lending Program** - State statutes, as interpreted by opinions of the Attorney General, authorize the Commonwealth to enter into bonds borrowed/bonds pledged securities lending agreements, that is a transfer of securities with a simultaneous receipt of securities. The securities received in the transfer are the type which the State is legally authorized to hold. The Commonwealth does not have the ability to pledge or sell collateral securities without a borrower default. The market value of the securities received in the agreement is 102 percent of the value of the securities transferred. The securities transferred are a part of the total investments reported above. The securities being held are not reported as a part of the total investments. The Commonwealth

retains the interest income on the securities being transferred and received a fee of 9.5 basis points from July 1, 1996 to June 30, 1997. During the year, the State earned \$2,077,066 in securities lending income. On June 30, 1997, the market value of the securities transferred was \$2,187,327,038 and the market value of the securities the Commonwealth was holding was \$2,249,172,525. The collateralization requirements and monitoring procedures in the securities lending program are the same as those requirements in regard to repurchase agreements. At year end, the Commonwealth has no credit risk exposure to borrowers because the amounts the Commonwealth owes the borrowers exceed the amounts the borrowers owe the Commonwealth.

**Options** - The Commonwealth's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The Commonwealth selectively utilizes put and call options on United States Treasury securities. These options are on a covered basis, where the Commonwealth holds either cash or securities sufficient to meet the obligation should the option be exercised. On June 30, 1997, the portfolio included \$50,000,000 of obligations under option. The Commonwealth also purchases securities that have built in covered calls (callable agency securities). The risk in holding these securities is the risk that the security can be called (bought back) by the issuing agency at par after a specific date.

**Note 6**

**GENERAL FIXED ASSETS**

A statement of changes in general fixed assets for the year ended June 30, 1997, is presented below (Expressed in Thousands):

	Land	Buildings	Machinery and Equipment	Construction in Progress	Totals
Balance June 30, 1996, as restated	\$ 76,748	\$ 617,576	\$ 549,816	\$ 162,092	\$ 1,406,232
Restatements		43,170	(178,474)		(135,304)
Additions	1,838	17,681	25,556	20,303	65,378
Deletions	(339)	(90)	(43,417)	(14,922)	(58,768)
Transferred to Internal Service Fund			(65,804)		(65,804)
Balance June 30, 1997	\$ 78,247	\$ 678,337	\$ 287,677	\$ 167,473	\$ 1,211,734

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Note 7

INTERFUND TRANSACTIONS

The table below shows the interfund receivables and payables and interfund operating transfers for fiscal year 1997 (Expressed in Thousands):

Interfund Receivables and Payables			Transfers In/Out		
Fund	Interfund Receivable	Interfund Payable	Fund	Operating Transfers In	Operating Transfers Out
General	\$ 74,524	\$ 34,894	General	\$ 171,453	\$ 1,251,013
Special Revenue:			Special Revenue:		
Transportation	10,240	10,917	Transportation	858	175,178
Federal	3,770	118,624	Federal	940	19,068
Agency Revenue	128,043	43,996	Agency Revenue	342,401	227,284
Other Special Revenue	5,306	31,417	Other Special Revenue	378,028	460,884
Debt Service	339	1,660	Debt Service	340,975	1,294
Capital Projects	5,894	591	Capital Projects	48,275	8,633
Enterprise:			Enterprise:		
State Parks	222	1,121	State Parks	33,985	1,121
Industries for the Blind	18		Kentucky Lottery Corporation		151,000
Horse Park	20	81	Industries for the Blind	880	
Insurance Administration	1,033	185	Horse Park	1,752	
Internal Service:			Insurance Administration	37	5,892
Fleet Management	842	27	Internal Service:		
Computer Services	2,940	1,353	Computer Services	5,906	334
Central Stores	28	16	Central Stores		
Telecommunications	776	223	Telecommunications	238	84
Prison Industries	2,888	70	Prison Industries	150	896
Central Printing	903	402	Central Printing		83
Property Management	910	55	Property Management	2,156	
Risk Management	76	2,810	Risk Management	22,016	20,954
Fiduciary Funds:			Fiduciary Funds:		
Unemployment Compensation	701	554	Unemployment Compensation	700	2,616
Special Benefits	12,804	3,438	Special Benefits	165,629	21,316
Special Deposit Trust	212	18	Special Deposit Trust		
Component Units:			Component Units:		
Governmental			Governmental	3,205	
Proprietary		37	Proprietary	61,810	3,210
Universities and Colleges	131,347	131,347	Universities and Colleges	773,885	4,419
Totals per financial statements:	\$ 383,836	\$ 383,836	Totals per financial statements	\$ 2,355,279	\$ 2,355,279

**Note 8**

**PENSION PLANS**

Under the provisions of Kentucky Revised Statutes (KRS) 61.645, the Board of Trustees of Kentucky Retirement Systems administers the Kentucky Employes Retirement System (KERS), County Employes Retirement System (CERS), and State Police Retirement System (SPRS).

The State contributes to the KERS, a multiple-employer cost sharing defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, or any agency directed by Executive Order to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. The System's administrative budget and employer contribution rates are subject to the approval of the Kentucky General Assembly. Employee contribution rates are set by the statute and may be changed only by the Kentucky General Assembly.

The State is the predominant employer for KERS and for note disclosure purposes will be considered as a single employer plan.

CERS, a multiple employer cost sharing defined benefit pension plan, provides for retirement, disability, and death benefits to plan members.

SPRS is a single-employer defined benefit plan that covers all full-time State Troopers employed in a hazardous duty position by the Kentucky State Police. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Per KRS 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend the contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The fair value of real estate is based on appraisals. Investments that do not have an established market are reported at estimated fair value.

Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature.

The allocation of insurance premiums paid by the Fund and amounts withheld from members' benefits is based on years of service with the Systems, as follows:

Years of Service	Percent Paid by Insurance Fund	Percent Paid by Member Through Payroll Deduction
20 or More	100%	0%
15-19	75%	25%
10-14	50%	50%
4 - 9	25%	75%
Less Than 4	0%	100%

The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

The Judicial Retirement Plan is a single employer defined benefit plan which provides retirement, disability and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature, except that existing legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.5125% benefit rate and the sixty month average earnings of the position held by the member at the time of his retirement. Contribution rates are established by KRS 21.525.

The Legislators' Retirement Plan is a single employer defined benefit plan which provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the State Legislature, except that existing legislation provides that a pension

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benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.925% benefit rate and the sixty month average earnings of the position held by the member at the time of his retirement. Contribution rates are established by KRS 21.525.

The financial statements are prepared using the accrual basis of accounting. Plan member contributions to the plan are recognized when due and the employer has made formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the Plans

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

The Judicial Form Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the above mentioned retirement systems. That report may be obtained by writing to the Judicial Form Retirement System, P.O. Box 791, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-5310.

The Kentucky Teachers' Retirement System (KIRS) was established by the 1938 General Assembly and is governed by Chapter 161 Section

220 through Section 990 of the Kentucky Revised Statutes. KIRS is a multiple-employer cost sharing defined benefit plan established to provide pension plan coverage for local school districts and other educational agencies in the state.

The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching are recognized in the fiscal year due. Plan investments are reported at fair value. Short-term securities are carried at cost, which approximates fair value. Fixed income and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges and security pricing services. Real estate is primarily valued based on appraisals performed by independent appraisers.

Cost-of-living adjustments (COLA) are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

The Kentucky Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601.

	Kentucky Legislators' Retirement Plan	Kentucky Judicial Retirement Plan	State Police Retirement System	Kentucky Employes Retirement System	Kentucky Teachers' Retirement System
Contribution rates:					
State	47.70%	32.40%	26.58%	8.89%-17.87%	13.105%-13.48%
Plan Members	5.00%	5.00%	7.00%	5%-7%	6.16%-9.855%
Portion of State Contribution for Health Insurance			17.90%	4.26%-9.61%	0.75%
Annual pension costs (in thousands)	\$1,547	\$5,984	\$11,054	\$125,456	\$328,600
Contributions made (in thousands)	\$1,631	\$5,386	\$9,628	\$118,119	\$328,600
Actuarial valuation date	June 30, 1997	June 30, 1997	June 30, 1997	June 30, 1997	June 30, 1997
Actuarial cost method	Projected unit credit	Projected unit credit	Entry age normal	Entry age normal	Projected unit credit
Amortization method	Interest + 1%	Interest + 1%	Level percent closed	Level percent closed	Level percent closed
Remaining amortization period	25 years	25 years	30 years	30 years	20 years
Asset valuation method	Cost	Cost	Five-year average of market to book value	Five-year average of market to book value	Five-year average of market to book value
Actuarial assumptions:					
Investment rate of return	7.00%	7.00%	8.25%	8.25%	8.00%
Projected salary increases	5.50%	5.50%	6.50%	6.50%	4.5%-8.60%
Increase in Health Insurance Cost	6%-10%	6%-10%	7.5%-10%	7.5%-10%	1.50%
(Dollar amounts in thousands)					
Annual Required Contributions (ARC)	\$ 1,547	\$ 5,984	\$ 11,054	\$ 125,456	\$ 328,600
Interest on Net Pension Obligation (NPO)	6	269	566	3,801	0
Adjustment to ARC	(7)	(307)	(344)	(2,308)	0
Annual pension cost	1,546	5,945	11,276	126,949	328,600
Contributions made	1,631	5,386	9,628	118,119	328,600
Increase (Decrease) in NPO	(85)	560	1,648	8,830	0
NPO beginning of year	82	3,841	6,867	46,068	0
NPO end of year	\$ 0	\$ 4,401	\$ 8,515	\$ 54,898	\$ 0

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Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<b><u>Kentucky Employees Retirement System</u></b>						
June 30, 1995	\$ 2,983,813,538	\$ 3,240,852,288	\$ 257,038,750	0.921	\$ 1,320,041,446	0.195
June 30, 1996	3,375,295,577	3,415,404,483	40,108,906	0.988	1,318,908,003	0.030
June 30, 1997	3,850,712,243	3,603,966,110	(246,746,133)	1.068	1,322,555,813	(0.187)
<b><u>State Police Retirement System</u></b>						
June 30, 1995	\$ 217,504,443	\$ 241,690,631	\$ 24,186,188	0.900	\$ 38,955,271	0.621
June 30, 1996	237,515,346	244,540,812	7,025,466	0.971	34,698,957	0.202
June 30, 1997	279,643,275	255,784,758	(23,858,517)	1.093	41,586,211	(0.574)
<b><u>Judicial Retirement Plan</u></b>						
June 30, 1995	\$ 121,487,703	\$ 122,947,042	\$ 1,459,339	0.988	\$ 17,481,864	0.083
June 30, 1996	133,973,167	133,259,942	(713,225)	1.005	18,963,743	(0.038)
June 30, 1997	156,157,021	144,748,660	(11,408,361)	1.079	18,445,743	(0.618)
<b><u>Legislators' Retirement Plan</u></b>						
June 30, 1995	\$ 30,895,685	\$ 36,100,573	\$ 5,204,888	0.856	\$ 3,492,500	1.490
June 30, 1996	34,942,019	36,958,664	2,016,645	0.945	3,410,000	0.591
June 30, 1997	40,098,285	39,487,831	(610,454)	1.015	3,245,000	(0.188)
<b><u>Kentucky Teachers' Retirement System</u></b>						
June 30, 1995	\$ 6,621,200,000	\$8,210,000,000	\$ 1,588,800,000	0.806	\$ 1,819,800,000	0.873
June 30, 1996	7,624,700,000	9,178,600,000	1,553,900,000	0.831	1,877,900,000	0.827
June 30, 1997	8,789,900,000	9,906,200,000	1,116,300,000	0.887	1,925,000,000	0.580

Membership of the retirement systems, at June 30, 1997, is shown in the following table:

	Kentucky Employees Retirement System	County Employees Retirement System	State Police Retirement System	Judicial Retirement Plan	Legislators' Retirement Plan	Kentucky Teachers' Retirement System	Totals
Retirees and beneficiaries receiving benefits	21,125	20,014	669	194	102	26,283	68,387
Terminated plan members - vested	2,627	2,603	9	21	47	4,375	9,682
Terminated plan members - non-vested	9,897	15,480	77				25,454
Active plan members	49,605	75,732	943	234	128	50,445	177,087
Total members	<u>83,254</u>	<u>113,829</u>	<u>1,698</u>	<u>449</u>	<u>277</u>	<u>81,103</u>	<u>280,610</u>
Number of participating employers	361	1,050	1	1	1	203	1,617

**Note 9**

**EMPLOYEE BENEFIT PLANS**

**A. Self-Insured Health Care**

The Commonwealth of Kentucky offers, as one of ten health insurance options to employees of the State, local boards of education, local health departments and retirees under the age of 65, a self-insured health care plan. Under health care reform, individuals, municipal governments, and qualified small business are also eligible to purchase health insurance from the State's self-insured plan. The plan is known as Kentucky Kare and is administered by third parties who are responsible for the processing of claims, cost containment, and utilization review. Presently, 33,152 persons have selected Kentucky Kare as their health care provider for the plan period January 1, 1996 through December 31, 1996. There are 20,578 single coverage plans; 6,877 family coverage plans; 3,085 enrollee plus dependent children coverage plans; and 2,612 enrollee plus one spouse or child coverage plans.

**B. Deferred Compensation**

Employees of the Commonwealth, its cities, counties, and local school districts are eligible to participate in two deferred compensation plans as authorized by the United States Internal Revenue Code. These plans, labeled 457 and 401(k), after sections of the Code, are administered by the Department of Personnel and an independent plan administrator. The Commonwealth, through a board of trustees as defined in KRS 18A.245, selects the administrator to oversee the daily operations and technical compliance of the plans with applicable sections of the Internal Revenue Code. The Commonwealth's responsibilities consist of withholding payroll deductions for its employees, collecting employee withholdings of the cities, counties, and local school districts, and remitting those withholdings to the insurance companies holding fixed and variable annuity contracts (carriers). Both plans permit employees to defer collecting a portion of their salary until future years. This deferral is not available to employees until termination, retirement, death, or unforeseeable emergency.

All compensation deferred under Section 457, all property and rights purchased with that compensation, and all income attributable to that compensation, property, or rights belong solely to the employer until paid to the employee or beneficiary, subject only to the claims of the employer's general creditors. Participants' rights under the Plan are equal to those of the general creditors of the employer in an amount equal to the fair market value of the deferred account for each participant. All compensation deferred under Section 401(k) and resultant assets belong to the Plan participants.

Assets of the 457 Plan are reported in an Agency Fund within the fiduciary fund type. Assets of the 401(k) Plan are not reported in these statements and are not available to the general creditors of the employers.

Of the \$381,048,000 in the 457 Plan at June 30, 1997, \$253,228,000 was applicable to the Commonwealth while the remaining \$127,820,000 represents assets of the other jurisdictions participating in the Plan.

**Note 10**

**LEASE OBLIGATIONS**

The Commonwealth has entered into various leases for land, buildings, and equipment. Generally, leases contain termination clauses providing for cancellation after 30, 60, or 90 days written notice. In addition, certain leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the General Assembly. It is expected that in the normal course of business most of these leases will be replaced by similar leases.

Changes in leases payable accounted for in the general long-term obligation account group for the year ended June 30, 1997, are summarized in Note 15.

A portion of the capital lease liability for the University and College Fund is applicable to leases with the Commonwealth.

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**At June 30, 1997, capitalized leases included equipment as follows**  
**(Expressed in Thousands):**

Equipment acquired through capital leases is recorded at the lesser of fair market value or present value of future minimum lease payments.

	Primary Government		
	Proprietary Fund Types	General Fixed Assets	Component Units
Buildings	\$	\$	\$ 7,871
Equipment	15,001	3,193	14,183
Total	15,001	3,193	22,054
Less: Accumulated Amortization	(3,915)		(15,993)
Total, Net of Amortization	\$ 11,086	\$ 3,193	\$ 6,061

**Future minimum rental commitments for capitalizable leases as of**  
**June 30, 1997, are as follows (Expressed in Thousands):**

	Primary Government			Component Units		
	Long-term Obligations Account Group	Enterprise Funds	Internal Service Funds	University and College Funds	Proprietary Fund Types	Total
1998	\$ 597	\$ 116	\$ 4,263	\$ 14,130	\$ 2,521	\$ 21,627
1999	402	95	2,987	13,390	2,471	19,345
2000	190		1,991	10,880	2,515	15,576
2001	20		1,533	10,352	2,509	14,414
2002	3			9,419	2,477	11,899
Thereafter				81,099	15,860	96,959
Totals	1,212	211	10,774	139,270	28,353	179,820
Less: Amounts representing Interest (2.2% to 16.6%)	90	21	980	44,750	7,913	53,754
Present value of future minimum lease payments	\$ 1,122	\$ 190	\$ 9,794	\$ 94,520	\$ 20,440	\$ 126,066

**Note 11**

**RISK MANAGEMENT**

The Commonwealth is exposed to various risks of loss related to torts: theft, damage, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commonwealth utilizes the Risk Management Fund to account for these activities.

**Fire and Tornado Insurance :**

The Fire and Tornado Insurance Program is established to account for and finance its uninsured risk of loss arising from damages to State buildings and personal property. Under this program, coverage is provided for up to a maximum of \$300,000 per occurrence of loss for each insured subject of risk. The Fire and Tornado Insurance Program purchases reinsurance for claims in excess of coverage provided by the Program. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

The claims liability of \$2,387,913 reported in the Program at June 30, 1997, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1997 and 1996 were:

	Fiscal Year 1997	Fiscal Year 1996
Beginning of Fiscal Year Liability	\$ 1,975,372	\$ 2,469,347
Incurred Claims	1,114,542	1,216,746
Changes in Estimates		
Claim Payments	(702,001)	(1,710,721)
Balance at Fiscal Year End	\$ 2,387,913	\$ 1,975,372

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**Self Insured Workers' Compensation:**

The Workers' Compensation Program is self-insurance for the benefit of the Commonwealth's employees, and others as described in KRS 18A.370. Losses payable by the Program include medical claims and loss of wages as a result of an employment related injury. Premiums are established based upon estimated claims and administrative cost for the coming fiscal year. The Program carries reinsurance coverage for large individual or incident claims between \$5,000,000 and \$20,000,000.

The actuarial determined aggregate claims liability of \$51,627,935 reported in the Program at June 30, 1997, includes both reported and unreported insured events, including estimates of future payments of losses and related claims' adjustments. Changes in the Program's claims liability amount in fiscal 1997 and 1996 were:

	Fiscal Year 1997	Fiscal Year 1996
Beginning of Fiscal Year Liability	\$ 45,761,694	\$ 38,254,301
Claims and Claims Adjustments Incurred		
Current Year	14,981,697	14,708,992
Prior Year	1,775,443	4,077,603
Total Claims and Claims Adjustments Incurred	16,757,140	18,786,595
Claims and Claims Adjustment Payments		
Current Year	2,614,507	3,010,480
Prior Year	8,276,392	8,268,722
Total Claims and Claims Adjustment Payments	10,890,899	11,279,202
Balance at Fiscal Year End	<u>\$ 51,627,935</u>	<u>\$ 45,761,694</u>

**Transportation Cabinet Workers' Compensation:**

The Transportation Cabinet's Self-Insured Worker's Compensation Trust Program (the "Program") was organized on July 1, 1963, as a self-insurance fund administered by the Transportation Cabinet of the Commonwealth of Kentucky (the "Cabinet"). The purpose of the Program is to provide workers' compensation insurance to the employees of the Cabinet. The losses incurred by the Program are serviced by a designated third-party administrator who processes and reports all claims to the Program. The aggregate claims liability is based on an actuarial study, dated June 30, 1997.

	Fiscal Year 1997	Fiscal Year 1996
Beginning of Fiscal Year Liability	\$ 21,532,291	\$ 19,928,581
Claims and Claims Adjustments Incurred	3,807,939	6,252,203
Changes in Estimates		
Claims and Claims Adjustment Payments	(3,864,052)	(4,648,493)
Balance at Fiscal Year End	<u>\$ 21,476,178</u>	<u>\$ 21,532,291</u>

**Note 12**

**RISK POOLS**

The Commonwealth's risk pools, which are reported as enterprise funds, are the Insurance Administration Fund and the Grain Insurance Fund. The Insurance Administration Fund includes the operations of five risk pools, as follows: Kentucky Kare, Workers' Compensation Insurance, Petroleum Storage Tank Assurance, Bond Pool, and Mine Subsidence Insurance. The Insurance Administration Fund is reported as part of the primary government. The Grain Insurance Fund is a risk pool reported as a discrete component unit.

**Risk Pools - Enterprise Funds**

**Kentucky Kare:**

Kentucky Kare is a self insured health care plan offered to employees of the State, local boards of education, local health departments, retirees under the age of 65 of the Kentucky Retirement Systems, and private individuals and businesses. This plan is administered by third parties who are responsible for the processing of claims, cost containment, and utilization review.

As of June 30, 1997, the number of employees, retirees, and former employees electing COBRA extension of benefits were as follows: State employees, retirees, and former employees of 14,167; local board of education employees of 15,983; local health department employees of 632; and other participants of 12,182..

Monthly premiums are established by the Commonwealth. They vary by the benefit coverage and the dependent status (single, family, or single parent). The plan offers five levels of coverage: Kentucky Kare Budget High, Kentucky Kare Economy Low, Kentucky Kare Enhanced High, Kentucky Kare Standard High, and Kentucky Kare Standard Low. Preventive dental care is an optional rider to the plans.

Estimates of the liabilities for incurred (both reported and unreported) but unpaid claims are actuarially determined using the development method. This method uses past observed patterns of

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the time between claim incurral and payment to estimate incurred claims from available paid claims information. Liabilities are based on the estimated ultimate cost of settling the claims, including the effects of inflation and other societal and economic factors. Claim adjustment expense is included in the administrative fee paid to the third party administrator.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of future payments of losses and related claims' adjustments. The following represents changes in this liability for the Plan during the past two years:

	Fiscal Year 1997	Fiscal Year 1996
Beginning Unpaid Claims Liability	\$ 19,286,706	\$ 26,203,068
Claims Incurred:		
Current Year	135,921,944	131,132,064
Increase (Decrease) In Prior Years	(4,425,595)	(1,090,729)
Total Incurred Claims	131,496,349	130,041,335
Claims Paid:		
Current Year	114,231,764	111,943,125
Prior	14,783,658	25,014,572
Total Payments	129,015,422	136,957,697
Ending Unpaid Claims	\$ 21,767,633	\$ 19,286,706

**Workers' Compensation Insurance:**

The Kentucky Workers' Compensation Insurance Program, a risk sharing pool, covers pre-existing conditions to protect employers from having to pay for injuries not sustained in their employ, or more than once for disabilities resulting from the same accident. This program encourages re-employment of injured workers at adequate wages by relieving the employer of the requirement of paying disability compensation in addition to full wages. The program also covers claims against uninsured employers.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$1,170,920,948, as reported in the financial statements, is the present value of the aggregate actuarial determined claims liability of \$2,465,746,794, discounted at 7.0%, and the net of the estimated realizable value of reimbursements. The estimated realizable value of these reimbursements at June 30, 1997, is \$10,850,000. The claims adjusted liability of \$41,118,995, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$78,054,118, discounted at 7.0%.

The actuarial determined liabilities described above arise from projections included in an actuarial report dated December 8, 1997, and include claims projected through September 1, 1997. Changes in the program's aggregate liabilities for claims and claims adjustment for the past two years are:

	Fiscal Year 1997	Fiscal Year 1996
Beginning of Fiscal Year Liability	\$ 2,734,329,063	\$ 1,874,253,961
Claims and Claims Adjustments Incurred	2,064,580	200,613,923
Changes in Estimates	(61,280,659)	793,708,099
Claims and Claims Adjustment Payments	(131,312,072)	(134,246,920)
Balance at Fiscal Year End	\$ 2,543,800,912	\$ 2,734,329,063

**Coal Workers Pneumoconiosis Fund:**

The Coal Workers' Pneumoconiosis Fund (CWPF) was created within the Labor Cabinet through the enactment of House Bill No. 1 by the December 1996 Special Session of the General Assembly. The CWPF is liable for one-half of the income benefits and retraining incentive benefits for occupational pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal. The employer is liable for the remaining one-half.

In accordance with House Bill No. 1 from the December 1996 Special Session, the Kentucky Workers' Compensation Funding Commission shall impose a pneumoconiosis assessment to prefund the liabilities of the CWPF and to finance its administration. The assessment is three percent (3%) of workers' compensation premiums received on or after January 1, 1997, from employers engaged in the severance or processing of coal and an additional assessment of \$0.025 per ton imposed upon coal severed on or after January 1, 1997. All pneumoconiosis assessments collected by the Funding Commission are to be credited to a separate account within the Benefit Reserve Fund and to be transferred as necessary to pay administrative expenses and current claims of the CWPF.

The Coal Workers' Pneumoconiosis Fund establishes claims liability based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$1,992,863, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$2,469,488, discounted at 7.0%. The claims adjustment liability of \$265,000, as reported in the financial statements, is the present value of the aggregate actuarial determined liability of \$328,000, discounted at 7.0%.

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The actuarial determined liabilities described above are based on an actuarial valuation as of September 1, 1997. Changes in the aggregate liability for claims and claims adjustments for the year ended June 30, 1997, are as follows:

	Fiscal Year 1997
Beginning of Fiscal Year Liability	\$ 0
Claims and Claims Adjustments Incurred	2,797,488
Changes in Estimates	
Claims and Claims Adjustment Payments	
Balance at Fiscal Year End	\$ 2,797,488

As stated above, the Coal Workers' Pneumoconiosis Fund was created by the December 1996 Special Session of the General Assembly. Therefore, there are no provisions for claims prior to 1997.

**Petroleum Storage Tank Environmental Assurance Program:**

The Office of the Petroleum Storage Tank Environmental Assurance Program, a risk sharing pool, was created in the 1990 regular session of the Kentucky General Assembly. The purpose of the Program is to assist petroleum storage tank owners or operators in complying with federal financial responsibility requirements relating to petroleum storage tanks and in cleaning up contamination caused by leaking tanks. The Program is funded by a fee paid by dealers on each gallon of gasoline and special fuels received in the State at a rate of one and four-tenths (\$.014) cents per gallon.

The Program insures petroleum storage tank owners or operators for cost incurred for cleanup and other corrective action required in cleaning up contamination caused by leaking petroleum storage tanks. The Program also provides coverage for third party claims against the owners or operators for damages sustained as a result of leaking storage tanks. Claims paid by the Program are subject to deductibles which are applied separately, by occurrence, for cleanup claims and third party damage claims. The deductible is set at \$1,000 per occurrence for owners or operators of five or less tanks, at \$5,000 for owners or operators of six to ten tanks, and at \$25,000 for owners of more than ten tanks.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$462,549,217 reported in the financial statements, is the aggregate actuarial determined claims liability and is not discounted. Changes in the Program's aggregate liabilities for claims and claims adjustment for the past two years are:

	Fiscal Year 1997	Fiscal Year 1996
Beginning of Fiscal Year Liability	\$ 324,412,848	\$ 400,459,774
Claims and Claims Adjustments Incurred	185,343,420	42,529,660
Changes in Estimates	(17,000,000)	(101,528,000)
Claims and Claims Adjustment Payments	(23,244,755)	(17,048,586)
Balance at Fiscal Year End	\$ 469,511,513	\$ 324,412,848

**Bond Pool:**

The Bond Pool was established in 1986 to provide an alternative bonding program for small to medium sized coal companies in Kentucky. Membership in the Pool is voluntary and prospective members must apply to become members. Applicants must meet standards set by the Bond Pool Commission to be accepted as members of the Bond Pool. These standards, used to evaluate potential Bond Pool members, considers factors such as the mining experience, reclamation history, and financial condition of the applicant.

Accepted members are rated by the Commission based on the standards considered in the application process. The members are rated and assessed an initial membership fee based on this rating. This fee ranges from \$1,000 to \$2,500. Additionally members pay tonnage fees of \$.05 per ton of surface mined coal and \$.01 per ton for underground mined coal. Provisions are also in effect where the tonnage fee is suspended for members who have participated in the Program for 36 months when the Program balance exceeds \$7 million.

The coal companies participating in the Program are required to post a permit specific bond based on the number of acres permitted and their rating in the Program. The Bond Pool in turn provides coverage for reclamation cost that exceed the permit specific bond but limits claims to the total amount of bond required by the permit. The Bond Pool does not pay claims for costs incurred in excess of the required bond amount.

The Program establishes claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The claims liability of \$2,625,568 as reported in the financial statements, is the aggregate actuarial determined claims liability. The claims adjustment liability of \$813,926 is the actuarial determined aggregate liability and is not discounted. Changes in the Program's aggregate liabilities for claims and claims adjustments for the past two years are:

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	Fiscal Year 1997	Fiscal Year 1996
Beginning of Fiscal Year Liability	\$ 3,439,494	\$ 3,177,682
Claims and Claims Adjustments Incurred		261,812
Changes in Estimates		
Claims and Claims Adjustment Payments		
Balance at Fiscal Year End	<u>\$ 3,439,494</u>	<u>\$ 3,439,494</u>

**Mine Subsidence Insurance:**

The Mine Subsidence Insurance Program is administered by the Department of Insurance. The provisions of the Program require that all insurance policies issued or renewed that insure a structure located in any county in the State, except those specifically exempted by KRS 304.44-60, shall include a separately stated premium for mine subsidence damage coverage. This premium is assessed at the amount determined by the Program and the insurer is required to cede this coverage to the Program. The insurer may refuse to provide coverage where pre-existing damage is determined to exist. The Program provides coverage subject to a deductible of 2% of the policy's total insured value or not less than \$250 and not more than \$500. The Mine Subsidence Program also limits its coverage to \$50,000 per structure.

The claims liability of \$219,000 reported in the Program at June 30, 1997, is based on the requirements of GASB 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1997 and 1996 were:

	Fiscal Year 1997	Fiscal Year 1996
Beginning of Fiscal Year Liability	\$ 25,000	\$ 25,000
Claims and Claims Adjustments Incurred	221,545	
Changes in Estimates		
Claim and Claims Adjustment Payments	(27,545)	
Balance at Fiscal Year End	<u>\$ 219,000</u>	<u>\$ 25,000</u>

**Risk Pools - Component Units**

**Grain Insurance:**

The Grain Insurance Program is established to promote economic stability in agriculture by providing coverage to grain producers for losses incurred in the event of a financial failure of a grain

dealer or grain warehousemen. The Program is funded by a half cent per bushel assessment on all marketed grain produced in Kentucky. The Program also has provisions that the assessment can be suspended when the balance of the Program reaches \$3 million and if suspended will be reapplied when the balance of the Program drops to \$2 million.

The claims liability of \$277,177 reported in the Program at June 30, 1997, is based on the requirements of GASB 10, which states that a liability for claims be reported, if information prior to the issuance of the financial statements indicates that a probable liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Changes in the Program's claims liability amount in fiscal 1997 and 1996 were:

	Fiscal Year 1997	Fiscal Year 1996
Beginning of Fiscal Year Liability	\$ 277,177	\$
Claims and Claims Adjustments Incurred		277,177
Changes in Estimates		
Claims and Claims Adjustment Payments		
Balance at Fiscal Year End	<u>\$ 277,177</u>	<u>\$ 277,177</u>

**Note 13**

**DEFEASANCE OF LONG-TERM DEBT**

The Kentucky School Facilities Construction Commission issues revenue bonds on behalf of local school districts to finance construction of new facilities or the major renovation of existing facilities. The Commission participates in the payment of debt service for qualifying districts. During the fiscal year ended June 30, 1997, the Commission issued the following refunding revenue bonds:

Revenue refunding bonds dated September 1, 1996, were issued for the Letcher County School District Finance Corporation to refund 1986 and 1987 issues. The Commission's portion of the refunding issue was \$2,207,126 maturing March 1, 1997 through September 1, 2007, and carrying interest rates from 4.375% to 4.650%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1986 and 1987 issues being refunded. Net savings to the Commission are \$254,632 and the present value of the savings is \$228,099 at a rate of 4.8990%.

Revenue refunding bonds dated September 1, 1996, were issued for the Frankfort Independent School District Finance Corporation to refund portions 1987 and 1989 First Series and 1989 Second

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Series issues. The Commission's portion of the refunding issues was \$1,919,381 maturing April 1, 1997 through April 1, 2009, and carrying interest rates from 4.375% to 5.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 and 1989 issues being refunded. Net savings to the Commission are \$121,969 and the present value of the savings is \$97,393 at a rate of 5.0149%.

Revenue refunding bonds dated December 1, 1996, were issued for the Franklin County School District Finance Corporation to refund portions of the 1988, 1989 and 1990 issues. The Commission's portion of the refunding issue was \$3,372,720 maturing February 1, 1997 through August 1, 2010, and carrying interest rates from 4.450% to 4.700%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988, 1989 and 1990 issues being refunded. Net savings to the Commission are \$248,654 and the present value of the savings is \$157,691 at a rate of 4.8436%.

Revenue refunding bonds dated December 1, 1996, were issued for the Floyd County School District Finance Corporation to refund a 1988 issue. The Commission's portion of the refunding issue was \$1,222,675 maturing February 1, 1998 through February 1, 2008, and carrying interest rates from 4.500% to 4.550%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 issue being refunded. Net savings to the Commission are \$122,120 and the present value of the savings is \$98,062 at a rate of 4.7246%.

Revenue refunding bonds dated December 1, 1996, were issued for the Wolfe County School District Finance Corporation to refund a portion of the 1989 issue. The Commission's portion of the refunding issue was \$412,504 maturing March 1, 1997 through September 1, 2009, and carrying interest rates from 3.700% to 5.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. Net savings to the Commission are \$31,723 and the present value of the savings is \$22,944 at a rate of 4.7400%.

Revenue refunding bonds dated December 1, 1996, were issued for the Magoffin County School District Finance Corporation to refund a 1988 issue. The Commission's portion of the refunding issue was \$850,000 maturing April 1, 1997 through October 1, 2008, and carrying interest rates from 4.200% to 5.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 issue being refunded. Net savings to the Commission are \$63,401 and the present value of the savings is \$50,491 at a rate of 4.7100%.

Revenue refunding bonds dated December 1, 1996, were issued

for the Bracken County School District Finance Corporation to refund a 1988 issue. The Commission's portion of the refunding issue was \$466,203 maturing December 1, 1997 through December 1, 2008, and carrying interest rates of 4.800%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 issue being refunded. Net savings to the Commission are \$35,222 and the present value of the savings is \$27,665 at a rate of 4.8000%.

Revenue refunding bonds dated January 1, 1997, were issued for the Nelson County School District Finance Corporation to refund a 1987 issue. The Commission's portion of the refunding issue was \$427,400 maturing April 1, 1998 through April 1, 2007, and carrying interest rates from 4.000% to 4.600%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 issue being refunded. Net savings to the Commission are \$35,272 and the present value of the savings is \$34,036 at a rate of 4.6600%.

Revenue refunding bonds dated January 1, 1997, were issued for the Anchorage Independent School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$216,554 maturing June 1, 1997 through June 1, 2009, and carrying interest rates from 3.750% to 5.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. Net savings to the Commission are \$26,583 and the present value of the savings is \$20,699 at a rate of 4.7083%.

Revenue refunding bonds dated February 1, 1997, were issued for the Clay County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$387,491 maturing September 1, 1997 through September 1, 2008, and carrying interest rates from 3.750% to 5.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. Net savings to the Commission are \$28,378 and the present value of the savings is \$21,044 at a rate of 4.861%.

Revenue refunding bonds dated February 1, 1997, were issued for the Mason County School District Finance Corporation to refund a 1988 issue and fund improvements. The Commission's portion of the refunding issue was \$620,316 maturing April 1, 1998 through April 1, 2017, and carrying interest rates from 4.300% to 5.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 issue being refunded. Net savings to the Commission are \$10,015 and the present value of the savings is \$7,734 at a rate of 5.0318%.

Revenue refunding bonds dated February 1, 1997, were issued for the Pineville Independent School District Finance Corporation to refund a 1987 issue. The Commission's portion of the refunding

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issue was \$341,975 maturing October 1, 1997 through October 1, 2006, and carrying interest rates from 4.250% to 4.500%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 issue being refunded. Net savings to the Commission are \$30,718 and the present value of the savings is \$27,254 at a rate of 4.2841%.

Revenue refunding bonds dated March 1, 1997, were issued for the Greenup County School District Finance Corporation to refund a 1988 issue. The Commission's portion of the refunding issue was \$3,140,279 maturing March 1, 1998 through March 1, 2008, and carrying interest rates from 4.500% to 4.750%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 issue being refunded. Net savings to the Commission are \$265,423 and the present value of the savings is \$210,869 at a rate of 4.6567%.

Revenue refunding bonds dated March 1, 1997, were issued for the Williamstown Independent School District Finance Corporation to refund a 1988 issue. The Commission's portion of the refunding issue was \$274,695 maturing June 1, 1997 through December 1, 2008, and carrying interest rates from 4.000% to 5.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 issue being refunded. Net savings to the Commission are \$18,425 and the present value of the savings is \$14,219 at a rate of 4.710%.

Revenue refunding bonds dated March 1, 1997, were issued for the Hart County School District Finance Corporation to refund a 1987 issue. The Commission's portion of the refunding issue was \$171,621 maturing June 1, 1997 through December 1, 2006, and carrying interest rates from 4.000% to 4.800%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 issue being refunded. Net savings to the Commission are \$16,347 and the present value of the savings is \$11,550 at a rate of 4.7245%.

Revenue refunding bonds dated March 1, 1997, were issued for the Jackson County School District Finance Corporation to refund a 1989 issue. The Commission's portion of the refunding issue was \$1,114,890 maturing September 1, 1997 through September 1, 2009, and carrying interest rates from 3.700% to 5.150%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 issue being refunded. Net savings to the Commission are \$73,041 and the present value of the savings is \$53,729 at a rate of 4.9049%.

Revenue refunding bonds dated April 1, 1997, were issued for the Taylor County School District Finance Corporation to refund a portion of a 1987 issue. The Commission's portion of the refunding issue was \$875,683 maturing August 1, 1997 through August 1,

2007, and carrying interest rates of 4.900%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 issue being refunded. Net savings to the Commission are \$78,717 and the present value of the savings is \$70,484 at a rate of 4.900%.

Revenue refunding bonds dated April 1, 1997, were issued for the Harlan County School District Finance Corporation to refund 1989 and 1990 issues. The Commission's portion of the refunding issue was \$1,550,000 maturing September 1, 1997 through September 1, 2009, and carrying interest rates from 3.750% to 5.000%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1989 and 1990 issue being refunded. Net savings to the Commission are \$100,427 and the present value of the savings is \$68,331 at a rate of 5.0755%.

Revenue refunding bonds dated April 1, 1997, were issued for the Perry County School District Finance Corporation to refund Series A and Series B 1990 issues. The Commission's portion of the refunding issue was \$4,110,000 maturing April 1, 1998 through April 1, 2010, and carrying interest rates from 4.100% to 5.100%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1990 issue being refunded. Net savings to the Commission are \$243,780 and the present value of the savings is \$187,532 at a rate of 4.8813%.

Revenue refunding bonds dated April 1, 1997, were issued for the Gallatin County School District Finance Corporation to refund a 1987 issue and a portion of a 1989 issue. The Commission's portion of the refunding issue was \$1,104,817 maturing from June 1, 1997 through June 1, 2009, and carrying interest rates from 4.100% to 5.250%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 and 1989 issues being refunded. Net savings to the Commission are \$72,811 and the present value of the savings is \$53,342 at a rate of 5.0000%.

Revenue refunding bonds dated June 1, 1997, were issued for the Lewis County School District Finance Corporation to refund a 1988 issue. The Commission's portion of the refunding issue was \$451,332 maturing April 1, 1998 through April 1, 2017, and carrying interest rates from 4.200% to 5.400%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1988 issue being refunded. Net savings to the Commission are \$5,419 and the present value of the savings is \$4,298 at a rate of 4.8550%.

Revenue refunding bonds dated June 1, 1997, were issued for the Livingston County School District Finance Corporation to refund a portion of a 1987 issue and a portion of a 1988 issue. The Commission's portion of the refunding issue was \$1,774,096 maturing March 1, 1998 through March 1, 2008, and carrying interest

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rates from 4.375% to 4.600%. The proceeds were placed in an escrow account to fund the debt service requirements for the Commission's portion of the 1987 and 1988 issues being refunded. Net savings to the Commission are \$113,987 and the present value of the savings is \$91,049 at a rate of 4.7133%.

**Component Units**

The University of Louisville issued \$15,275,000 of Consolidated Educational Buildings Refunding Revenue Bonds, Series L, dated December 1, 1996, to advance refund Series G Bonds maturing on and after May 1, 1999. The net proceeds of \$15,020,455, after discounts and issuance cost of \$254,545 were deposited with an escrow agent. The net savings to the University are \$704,646 and the present value of the savings is \$568,873 at a rate of 4.8110%.

Western Kentucky University issued \$6,625,000 of Consolidated Educational Building Refunding Revenue Bonds, Series M, dated March 1, 1997, to advance refund Series I Bonds maturing on and after May 1, 1997. The net proceeds of \$6,504,450, after discounts and issuance cost of \$120,550 were deposited into a Series I Bond Fund through May 1, 1997, when the bonds were redeemed at a

issues of this type have been issued since 1965, and none are outstanding or authorized but unissued at June 30, 1997.

**Revenue Bonds** - General authorization for the use of revenue bonds is contained in Chapter 58 of the Kentucky Revised Statutes. Specific authority is contained in the legislation and related KRS chapters creating and empowering the various debt issuing entities. Reference to such legislation and laws is made throughout the following entity descriptions. Effective July 15, 1980, KRS 56.870 requires prior approval of debt financing projects by the Kentucky General Assembly sitting in regular or special sessions. Succeeding statutes establish the methods for this approval and the exemptions from it. The majority of new debt issues are approved through the appropriation act. Per KRS 56.873, effective July 15, 1980, revenue bonds having passed the above mechanisms, and not requiring State appropriations, must receive an "A" rating by Moody's Investors Service or the equivalent rating by another qualified rating agency prior to their sale.

Project revenue debt pledges only the revenues produced by the project so funded as security for repayment and does not directly obligate the Commonwealth. Kentucky's project revenue debt may be further classified by the purpose of the debt. Revenue debt issued by the Kentucky Housing Corporation, Kentucky Infrastructure Authority, Kentucky Higher Education Student Loan Corporation, Kentucky Economic Development Finance Authority, Kentucky Local Correctional Facilities Construction Authority, Kentucky Agricultural Finance Corporation, and Kentucky School Facilities Construction Commission is used as a financing mechanism for activities and facilities not used directly for State purposes. The tax-exempt status of such "municipal debt," whether issued by State or local governments, is used to provide financing for entities unable to bear the costs of private financing when the General Assembly deems such entities worthy of public assistance. The other category of revenue debt finances facilities used directly by State Government in daily activities such as roads, parks, office buildings, and educational facilities. The primary distinction between these categories is that the first type, with the exceptions of the Kentucky School Facilities Construction Commission, which succeeds the Kentucky School Building Authority, and the Kentucky Infrastructure Authority, which succeeds the Kentucky Pollution Abatement and Water Resources Finance Authority, requires no State funds of any type to provide "debt service," principal and interest payments on the debt. The School Facilities Construction Commission supplements funds provided by local governments and school boards in varying percentages for debt service. The Kentucky Infrastructure Authority may accept appropriations made by the General Assembly, in addition to State and Federal grants, related to the purposes for which it was created. This distinction

**Note 14**

**RELATED ORGANIZATIONS**

The Commonwealth has several related organizations. The financial activities of these organizations are not included in the State's financial statements. They are the East Kentucky Corporation, West Kentucky Corporation, West Kentucky Economic Development Fund, Northern Kentucky Convention Center Corporation, Kentucky Employer's Mutual Insurance Authority and the Interstate Air Pollution Control Commission. The Commonwealth holds no economic interest in, nor has any financial responsibility for these organizations.

**Note 15**

premium of 3%. The net savings to the University are \$341,320 and the present value of the savings is \$277,319 at a rate of 4.9979%.

**LONG-TERM OBLIGATIONS**

**General Obligation Bonds** are issued through the State Property and Buildings Commission, subject to general referendum approval required by the Kentucky Constitution. General obligation bonds pledge the full faith, credit, and taxing power of the Commonwealth and denote application of specific or general tax revenues to provide payment of principal and interest requirements on the debt. No new

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*The agencies and authorities that issue debt and their respective amounts of principal outstanding, net of discounts and defeased bonds, at June 30, 1997, are as follows (Expressed in Thousands):*

General Long-Term Obligations Account Group	Principal Outstanding	Interest Rate	Annual Maturity To
Agency:			
State Property & Buildings Commission	\$ 1,083,746	2.4%-9.84%	2018
Turnpike Auth. of Kentucky	1,405,735	3.5%-9.7%	2015
Kentucky School Facilities Construction Commission	\$ 1,336,465		
Less: Local school district participation	<u>825,088</u>	2.2% - 8.25%	2017
Total	<u>\$ 3,000,858</u>		

*Future revenue bond debt service requirements, to be paid with State funds, at June 30, 1997, are as follows (Expressed in Thousands):*

Year Ending June 30,	Principal	Interest	Totals
1998	\$ 176,791	\$ 168,391	\$ 345,182
1999	188,680	158,106	346,786
2000	199,228	147,467	346,695
2001	189,100	145,168	334,268
2002	194,986	130,867	325,853
Thereafter	<u>2,052,073</u>	<u>765,279</u>	<u>2,817,352</u>
	<u>\$ 3,000,858</u>	<u>\$ 1,515,278</u>	<u>\$ 4,516,136</u>

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Component Unit Revenue Bonds Payable	Principal Outstanding	Interest Rate	Annual Maturity To
Kentucky Housing Corporation*	\$ 894,171	3.625%-9.875%	2029
Kentucky Infrastructure Authority*	186,430	3.9%-8.4%	2018
Kentucky Higher Education Student Loan Corporation	452,970	4.1%-9.25%	2027
Kentucky Local Correctional Facilities Construction Authority*	40,785	4.0%-5.5%	2014
Kentucky Economic Development Finance Authority	87,394	5.4%	1999
University of Kentucky	318,478	2.5%-7.25%	2023
University of Louisville	177,982	3.0%-10.0%	2018
Eastern Kentucky University	62,270	3.0%-6.6%	2011
Western Kentucky University	57,017	2.6%-7.4%	2025
Murray State University	25,065	2.88%-7.25%	2017
Morehead State University	31,925	2.875%-7.15%	2014
Kentucky State University	21,665	3.0%-9.0%	2014
Northern Kentucky University	53,940	3.0%-8.3%	2021
Total Component Unit Revenue Bonds Payable	<u>\$ 2,410,092</u>		

\*Amounts do not include unamortized premiums, discounts, or deferred loss or early retirement of debt.

*Future revenue bond debt service requirements for bonds issued by the Commonwealth's Component Units, at June 30, 1997, are as follows (amounts expressed in thousands):*

Year Ending June 30,	Principal	Interest	Totals
1998	\$ 136,235	\$ 131,682	\$ 267,917
1999	195,389	127,185	322,574
2000	122,698	116,455	239,153
2001	112,716	110,516	223,232
2002	123,629	104,196	227,825
Thereafter	<u>1,719,425</u>	<u>977,179</u>	<u>2,696,604</u>
	<u>\$ 2,410,092</u>	<u>\$ 1,567,213</u>	<u>\$ 3,977,305</u>

is important in analyzing the true level of "State" debt and the "burden" of that debt on State resources.

and equipping of buildings for the occupancy and/or use of said agencies.

During the fiscal year ended June 30, 1997, the debt issuing entities described below sold revenue and revenue refunding bonds as follows:

The Commission issued no bonds during the fiscal year ended June 30, 1997.

**The Kentucky State Property and Buildings Commission** is composed of the Governor, Lieutenant Governor, Attorney General, Secretary of the Finance and Administration Cabinet, Secretary of the Revenue Cabinet, and Secretary of the Economic Development (formerly Commerce) Cabinet. The Commission is an independent agency of the Commonwealth created by KRS 56.450 and empowered upon application of any State agency to issue bonds in its own name to pay the costs of acquiring land and equipment, and the construction

**The Turnpike Authority of Kentucky** was created in the 1960 regular session of the General Assembly under present KRS sections 175.410 through 175.990 as a body corporate and politic constituting a municipal corporation, political subdivision, and instrumentality of the Commonwealth. The Authority is composed of the Governor, Lieutenant Governor, Attorney General, Secretary of Transportation, Commissioner of Highways, State Highway Engineer, and Secretary of Economic Development. The

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Secretary of the Finance and Administration Cabinet currently serves as the Authority's Treasurer.

The Authority issued no bonds during the fiscal year ended June 30, 1997.

**State Universities** - The Board of Trustees of the University of Kentucky and the Boards of Regents of the University of Louisville, Eastern Kentucky University, Western Kentucky University, Murray State University, Morehead State University, Kentucky State University, and Northern Kentucky University are authorized under KRS 56.495 to issue debt for the purpose of constructing educational buildings and housing and dining facilities. In addition, the University of Louisville is specifically authorized to issue debt for educational buildings under KRS 64.860 but is limited to \$16 million of refunding debt.

During the fiscal year ended June 30, 1997, state supported universities issued \$32,370,000 in revenue and refunding revenue bonds as follows:

\$15,275,000, University of Louisville, Consolidated Educational Buildings Refunding Revenue Bonds, Series L, maturing serially each May 1, 1997 through 2007 at 4.25% to 4.75%;

\$6,645,000, University of Kentucky, Housing and Dining System Revenue Bonds, Series Q, with \$5,060,000 in serial bonds maturing each June 1, 1998 through 2015, at 5.2% to 5.375% and \$1,585,000 in term bonds due June 1, 2017 at 5.65%;

\$6,625,000, Western Kentucky University, Consolidated Educational Buildings Refunding Revenue Bonds, Series M, maturing serially each May 1, 1998 through 2007, at 4.7% to 4.9%;

\$3,000,000, Western Kentucky University, Housing and Dining System Revenue Bonds, Series M, maturing serially each December 1, 1996 through 2026, at 5.5%; and

\$825,000, Murray State University, Housing and Dining System Revenue Bonds, Series M, maturing serially each September 1, 1998 through 2017, at 4.0% to 5.4%.

**The Kentucky Housing Corporation**, established in 1972 under KRS Chapter 198A, is a municipal corporation and political subdivision of the Commonwealth governed by a board of directors comprised of the Secretary of the Finance and Administration Cabinet, Commissioner of the Department of Local Government, Secretary of the Revenue Cabinet, Attorney General, Secretary of the Economic Development Cabinet, Lieutenant Governor, and eight additional members appointed by the Governor. The Corporation is authorized to increase the supply of housing for persons of lower income by making or participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reason-

ably equivalent terms and conditions. The Corporation is limited to a \$2.125 billion total maximum principal value of debt outstanding.

During the fiscal year ended June 30, 1997, the Corporation issued or remarketed \$114,820,000 in Housing Revenue Bonds as follows:

\$1,500,000, 1996 Series C, a remarketed issue, with term maturities of \$675,000 due July 1, 2022, at 6.25% and \$825,000 due July 1, 2028, at 6.3%;

\$15,355,000, 1996 Series D, a replacement refunding issue with term maturities of \$2,400,000 due July 1, 2006, at 5.05%, \$2,660,000 due July 1, 2007, at 5.2%, \$7,710,000 due July 1, 2013, at 5.8%, and \$2,585,000 due July 1, 2017, at 5.95%;

\$23,130,000, 1996 Series E, a replacement refunding issue with term bonds due January 1, 2028, at 6.3%;

\$10,015,000, 1996 Series F, term bonds due July 1, 2010, at 7.21%;

\$9,785,000, 1997 Series A, a replacement refunding issue with \$6,845,000 maturing serially and semiannually each January and July 1, 2005 through 2009, at 5.15% to 5.55%, and \$2,940,000 in term bonds due January 1, 2012, at 5.7%;

\$20,215,000, 1997 Series B, with \$6,195,000 applied to replacement refunding of Prior Bonds of the Corporation. Term maturities include \$3,680,000 due July 1, 2016, at 6.1%, and \$16,535,000 due July 1, 2028, at 6.25%;

\$10,000,000, 1997 Series C, floating rate term bonds due July 1, 2007, at an initial rate of 6.03%; and

\$24,820,000, 1997 Series D, earning 4.0% per annum to the Tender Date on or after September 30, 1997, but not later than the Mandatory Tender Date of December 31, 1997.

**The Kentucky Infrastructure Authority** was created by House Bill 217, passed into law during the 1988 regular session of the Kentucky General Assembly, to assist governmental agencies of the State with respect to the construction and acquisition of infrastructure projects as defined in the legislation. Pursuant to this Act, which amends KRS Chapter 224A, all powers, duties, and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority, including administration of debt service on revenue bonds previously issued by the Authority, are transferred to the Kentucky Infrastructure Authority, which is established as a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the State.

The Authority issued no bonds during the fiscal year ended

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June 30, 1997, but did issue \$5,200,000 in Governmental Agencies Program Revenue Bond Anticipation Notes described in the Notes Payable section of this Note.

**The Kentucky Higher Education Student Loan Corporation** is empowered by KRS Chapter 164A to make and reinsure student loans with the United States of America, pursuant to the Federal Higher Education Act of 1965, and as a body corporate and politic acts as a financing authority to assure a secondary market for insured student loans. The Corporation is governed by a seven member board of directors consisting of the Chairman of the Council on Higher Education, the Secretary of the Finance and Administration Cabinet, the Chairman of the Kentucky Higher Education Assistance Authority, and four members chosen from the general public. The Corporation is limited to a maximum principal debt outstanding of \$553 million.

During the fiscal year ended June 30, 1997, the Corporation issued \$167,410,000, in Insured Student Loan Revenue Bonds, as follows:

\$25,000,000, 1996 Series A, with term bonds due June 1, 2026, at 3.5% interest through September 17, 1996, and at variable interest rates determined weekly by the remarketing agent as more fully described in the Official Statement;

\$2,500,000, 1996 Series B, a replacement refunding issue with term bonds due June 30, 2003, at 5.15%;

\$1,870,000, 1997 Series A, a replacement refunding issue with term maturities including \$250,000 due June 1, 1998, at 4.1%, \$125,000 due June 1, 1999, at 4.5%, \$95,000 due December 1, 1999, at 4.5%, \$240,000 due June 1, 2000, at 4.75%, and \$1,160,000 due June 1, 2002, at 4.9%;

\$1,000,000, 1997 Series B, a replacement refunding issue with term bonds due June 1, 2003, at 5.15%;

\$1,040,000, 1997 Series C, a replacement refunding issue with term maturities including \$140,000 due June 1, 1998, at 4.4%, \$70,000 due June 1, 1999, at 4.75%, \$50,000 due December 1, 1999, at 4.75%, \$135,000 due June 1, 2000, at 5.0%, and \$645,000 due June 1, 2002, at 5.15%;

\$1,000,000, 1997 Series D, a replacement refunding issue with term bonds due June 1, 2003, at 5.4%;

\$45,250,000, Senior Series 1997-A-1, issued as Auction Rate Certificates (ARCs) with a final maturity of May 1, 2027, at 5.65%;

\$45,200,000, Senior Series 1997-A-2, issued as ARCs with a final maturity of May 1, 2027, at 5.65% initial interest; and

\$44,550,000, Subordinate Series 1997-B, issued as ARCs with a final maturity of May 1, 2027, at 3.9% initial interest.

Initial interest on the 1997 ARCs is recomputed each thirty-five days through Auction Procedures described in Appendix E of the Official Statement.

**The Kentucky Local Correctional Facilities Construction Authority** is a body corporate and politic as well as an agency and instrumentality of the Commonwealth created in 1982 pursuant to KRS 441.605 through 441.695, as amended, to provide additional and alternative methods for acquiring, constructing, improving or repairing, and financing both regional and local jail facilities.

The Authority issued no bonds during the year ended June 30, 1997.

**The Kentucky School Facilities Construction Commission** was created by act of the 1985 Extraordinary Session of the General Assembly, the Kentucky School Facilities Construction Commission (KSFCC) was created as the successor agency to the Kentucky School Building Authority (KSBA) and empowered pursuant to KRS 157.640 with all rights of successorship necessary to assure all legal and contractual functions and liabilities associated with the outstanding bonds issued in the name of KSBA, including refunding of then existing KSBA debt.

The Commission is an independent corporate agency and instrumentality of the Commonwealth established by Act of the 1985 Extraordinary Session of the General Assembly, now codified as KRS 157.611 through 157.640 and empowered therein to: (1) act on behalf of school districts to issue bonds in the name of the Commission and to enter into lease agreements with local boards of education to finance construction of new facilities or major renovation of existing facilities; (2) enter into agreements which may provide for a percentage discount, on a biennially renewable basis, of annual lease agreements due the Commission for those districts which participate; and (3) enter into lease agreements with the Department of Education to build State-owned facilities operated by the Department of Education.

During the fiscal year ended June 30, 1997, the Commission sold seventy-four (74) school building revenue and revenue refunding bond issues having aggregate state participation of \$51,842,228 maturing through June 1, 2017, at interest rates of 3.7% to 6.1%.

Due to the length of the listing, the reader is referred to the detail Schedule of Bonds Outstanding at June 30, 1997, which is contained in the publication titled SUPPLEMENTARY INFORMATION to the Kentucky Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 1997. Copies of this report are available from the Division of Accounts, Financial Reporting Branch, 483 Capitol Annex, Frankfort, Kentucky 40601.

**The Kentucky Agricultural Finance Corporation** is a public corporation and governmental agency of the Commonwealth established by Act of the 1984 General Assembly for the purpose of "improving and promoting the health, welfare, and prosperity of the people of the Commonwealth through the stimulation of exist-

COMMONWEALTH OF KENTUCKY  
Notes to Combined Financial Statements  
June 30, 1997

ing agricultural ventures." The Authority's bond program is designed to help lender banks and other financial institutions assist eligible farmers in obtaining low interest loans through the issuance of tax-exempt agricultural revenue bonds. The Authority's debt does not constitute a legal or moral obligation of the Commonwealth, and this debt is not included in these general purpose financial statements.

The Corporation issued no bonds during the year ended June 30, 1997.

**The Kentucky Economic Development Finance Authority** established in 1958 under KRS Chapter 154, is an independent agency of State Government which operates in close cooperation with the Secretary of the Economic Development Cabinet to promote the industrial development of Kentucky.

The Authority issued no revenue bonds that constitute a legal obligation of the Commonwealth during the fiscal year ended June 30, 1997.

During this same reporting period, KEDEFA is a party to \$208,700,000 in conduit debt which does not constitute a general debt, liability, or moral obligation of the Commonwealth. Accordingly, these general purpose financial statements do not include any assets or liabilities related to the issuance of this debt.

**NOTES PAYABLE:**

At June 30, 1997, the following entities had notes payable as follows:

**The Kentucky Infrastructure Authority** issued 1997 Series A Governmental Agencies Program Revenue Bond Anticipation Notes dated May 1, 1997, in the amount of \$5,200,000 due June 30, 1998. Initial interest of 4.25%, which will vary with weekly calculations as described in the Official Statement, is payable the first Wednesday of each month beginning June 4, 1997.

**The Kentucky Center for the Arts Corporation** has a \$25,000, non-interest bearing note scheduled to mature in fiscal year 1998.

**The Kentucky Lottery Corporation**, on December 18, 1996, the Corporation borrowed \$6,787,000 to fund the renovation of real estate purchased during the year ended June 30, 1996, to be used as a new corporate headquarters. The terms of the loans require monthly interest payments beginning December 31, 1996, with an annual interest rate of 6.66%. Principal payments are to be made in sixty monthly installments beginning the first full calendar month following the completion date of the renovation, expected to be September 1997.

**The University of Kentucky Healthcare Collection Service**, bor-

rowed \$105,000 from University of Kentucky Hospital for a computer system upgrade to assist its collection process. The \$77,000 balance on this non-interest bearing note is payable in monthly installments of \$1,750 with principal of \$21,000 during fiscal years 1998 through 2000, and \$14,000 during fiscal year 2001.

**Northern Kentucky University** reported \$3,313,000 in notes payable for various installment purchase contracts to acquire property and equipment, to include \$2,783,000 during fiscal 1997. Payments, including interest, through June 30, 2002, total \$3,657,000.

**Murray State University** borrowed \$400,000 from the Commonwealth of Kentucky Capital Construction and Equipment Purchase Contingency Account to fund a portion of the Regional Special Events Center. The note bears an effective rate of interest of 6.7% and the University is required to make annual equal payments of principal and interest through June, 2002. The first annual installment of \$96,750 is due on June 1, 1998.

**The University of Louisville Athletic Association, Incorporated** has entered into a promissory note of \$3.5 million with CSX Transportation, Incorporated in exchange for CSX property to be used for a sports stadium. The note is to be paid over twenty years with an interest rate of 7.5% per annum. The note is secured by an irrevocable letter of credit by Bank One, Kentucky, NA on behalf of the Association.

**Morehead State University** reported a \$498,439 note payable to a company, repayable in monthly installments of \$4,904, plus interest at prime (currently 8.75%), to December, 2005.

**COMMONWEALTH OF KENTUCKY**  
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Future debt service requirements for aggregate Notes Payable at June 30, 1997, are as follows (amounts expressed in thousands):

Year Ending June 30,	Principal	Interest	Totals
1998	\$ 7,448	\$ 1,161	\$ 8,609
1999	2,654	772	3,426
2000	2,543	603	3,146
2001	1,964	451	2,415
2002	1,621	333	1,954
Thereafter	3,545	2,042	5,587
	<u>\$ 19,775</u>	<u>\$ 5,362</u>	<u>\$ 25,137</u>

**Changes in General Long-Term Obligations**

Changes in general long-term obligations (Expressed in Thousands) for the fiscal year ended June 30, 1997, are summarized as follows:

	Compensated Absences	Capital Leases	State Supported Revenue Bonds	Judgements & Contingent Liabilities	Unfunded Employer Pension Contributions	Totals
Balance at June 30, 1996, as restated	\$ 170,749	\$ 1,082	\$ 3,134,342	\$ 447,513	\$ 56,858	\$ 3,810,544
Obligations Incurred	126,922	585	51,842	4,854	11,038	198,178
Obligations Retired	(117,946)	(545)	(185,326)	(254,139)	(85)	(560,975)
Balance at June 30, 1997	<u>\$ 179,725</u>	<u>\$ 1,122</u>	<u>\$ 3,000,858</u>	<u>\$ 198,228</u>	<u>\$ 67,811</u>	<u>\$ 3,447,744</u>



**COMMONWEALTH OF KENTUCKY**  
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**June 30, 1997**

**Note 16**

**SEGMENT INFORMATION**

Segment financial information for the Commonwealth's Enterprise Funds for the year ended June 30, 1997, is presented below (Expressed in Thousands):

**Primary Government  
Enterprise Funds**

	State Parks	Kentucky Lottery Corporation	Industries for the Blind	Horse Park	Insurance Administration	Totals
	Recreation and Lodging	Lottery Operations	Light Industry	Equine Museum	Insurance	
Goods and Services Provided						
Operating Revenues	\$ 37,643	\$ 569,055	\$ 1,620	\$ 3,751	\$ 295,930	\$ 907,999
Depreciation and Amortization Expense	3,863	2,596	30	527	156	7,172
Operating Income (Loss)	(37,853)	152,041	(737)	(2,429)	(102,611)	8,411
Income (Loss) Before Operating Transfers and Extraordinary Item	(37,864)	153,729	(736)	(2,426)	(75,929)	36,774
Operating Transfers:						
In	33,985		880	1,752	37	36,654
Out	(1,121)	(151,000)			(5,892)	(158,013)
Net Income (Loss)	(5,000)	2,729	144	(674)	(81,784)	(84,585)
Current Contributed Capital: Contributions	30,236			781		31,017
Fixed Assets:						
Additions	31,248	2,560		781	166	34,755
Deletions	303			83	15	401
Net Working Capital	1,350	19,286	512	331	(106,180)	(84,701)
Total Assets	135,989	388,278	1,205	15,923	563,735	1,105,130
Bonds and Other Long-Term Liabilities:						
Payable from Operating Revenue and Operating Transfers-in	3,298	300,153	29	171	1,505,273	1,808,924
Total Equity	126,116	26,021	1,118	15,063	(1,153,625)	(985,307)

COMMONWEALTH OF KENTUCKY  
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CONDENSED STATEMENT  
INFORMATION

Condensed Balance Sheet Information  
for the Commonwealth's Discretely  
Presented Component Units.  
(Expressed in Thousands)

	Governmental	Proprietary Funds		
	Bluegrass State Skills Corporation	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Others
<b>Assets</b>				
Current Assets	\$ 56	\$ 257,390	\$ 78,134	\$ 284,744
Property, Plant and Equipment (net)	2	9,616		152,090
Other Assets		853,979	307,904	548,945
Total Assets	<u>\$ 58</u>	<u>\$ 1,120,985</u>	<u>\$ 386,038</u>	<u>\$ 985,779</u>
<b>Liabilities</b>				
Current Liabilities	\$ 220	\$ 81,636	\$ 17,010	\$ 79,496
Capital Lease Obligations				19,027
Revenue Bonds		845,353	173,205	548,161
Amounts Held in Custody for Others				
Deposits and Advance Payments				
Deferred Revenue				
Other Liabilities				2,050
Total Liabilities	<u>220</u>	<u>926,989</u>	<u>190,215</u>	<u>648,734</u>
<b>Fund Equity</b>				
Investment in Fixed Assets				
Contributed Capital				92,930
Fund Balance:				
Reserved for:				
Encumbrances				
Capital Outlay				
Restricted Gifts, Grants and Contracts				
Unreserved:				
Designated for Universities and Colleges				
Undesignated	(162)			
Retained Earnings:				
Reserved for:				
Revenue Bond Retirement		157,457		130,572
Unreserved		36,539	195,823	113,543
Total Fund Equity	<u>(162)</u>	<u>193,996</u>	<u>195,823</u>	<u>337,045</u>
Total Liabilities and Fund Equity	<u>\$ 58</u>	<u>\$ 1,120,985</u>	<u>\$ 386,038</u>	<u>\$ 985,779</u>

COMMONWEALTH OF KENTUCKY  
Notes to Combined Financial Statements  
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Universities and College Funds

University of Kentucky	University of Louisville	Others	Totals
\$ 946,202	\$ 305,188	\$ 275,346	\$ 2,147,060
1,350,448	545,783	1,021,802	3,079,741
6,949	2,915	23,668	1,744,360
<u>\$ 2,303,599</u>	<u>\$ 853,886</u>	<u>\$ 1,320,816</u>	<u>\$ 6,971,161</u>
\$ 213,930	\$ 50,614	\$ 35,461	\$ 478,367
38,548	7,501	48,471	94,520
318,478	177,982	251,882	2,338,448
391		3,180	3,571
2,366	1,808	968	5,142
12,666	11,954	10,185	34,805
47,207	14,885	7,743	71,885
<u>633,586</u>	<u>264,744</u>	<u>357,890</u>	<u>3,022,378</u>
998,264	390,161	713,924	2,102,349
			110,573
1,349	4,769	4,172	10,290
80,691	30,909	95,657	207,257
452,738	80,768	131,284	664,790
136,971	82,535	17,889	237,395
			(162)
			288,029
			328,363
<u>1,670,013</u>	<u>589,142</u>	<u>962,926</u>	<u>3,948,783</u>
<u>\$ 2,303,599</u>	<u>\$ 853,886</u>	<u>\$ 1,320,816</u>	<u>\$ 6,971,161</u>

COMMONWEALTH OF KENTUCKY  
Notes to Combined Financial Statements  
June 30, 1997

CONDENSED STATEMENT INFORMATION

Condensed Statement of Changes in Retained  
Earnings Discretely Presented Proprietary Funds  
(Expressed in Thousands)

	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Others	Totals
Operating Revenues	\$ 81,017	\$ 15,926	\$ 98,990	\$ 195,933
Operating Expenses:				
Operating and Other Expenses	74,386	14,010	133,418	221,814
Depreciation & Amortization	1,407	406	10,613	12,426
Operating Income (Loss)	5,224	1,510	(45,041)	(38,307)
Nonoperating Revenues (Expenses)	(314)	35,536	4,752	39,974
Transfers:				
From Primary Government		10,201	49,109	59,310
From Component Units			2,500	2,500
To Primary Government			(710)	(710)
To Component Units			(2,500)	(2,500)
Net Income (Loss)	4,910	42,247	8,110	60,267
Depreciation on Fixed Assets				
Acquired by Capital Grants			5,299	5,299
Retained Earnings - July 1, 1996	189,086	148,576	230,706	568,368
Retained Earnings - June 30, 1997	\$ 193,996	\$ 195,823	\$ 244,115	\$ 633,934

COMMONWEALTH OF KENTUCKY  
Notes to Combined Financial Statements  
June 30, 1997

Condensed Statement of Changes in Fund Balances  
University and College Funds  
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Others	Totals
Total Revenues and Other Additions	\$ 1,029,767	\$ 316,756	\$ 422,456	\$ 1,768,979
Total Expenditures and Other Deductions	1,247,185	399,325	619,456	2,265,966
Transfers from (to) Primary Government	<u>371,514</u>	<u>150,071</u>	<u>247,881</u>	<u>769,466</u>
Net Increase for Year	154,096	67,502	50,881	272,479
Fund Balance and Other Credits, Beginning, As Restated	<u>1,515,917</u>	<u>521,640</u>	<u>912,045</u>	<u>2,949,602</u>
Fund Balance and Other Credits, Ending	<u>\$ 1,670,013</u>	<u>\$ 589,142</u>	<u>\$ 962,926</u>	<u>\$ 3,222,081</u>

Condensed Statement of Current Funds Revenues, Expenditures and Other Changes  
University and College Funds  
(Expressed in Thousands)

	University of Kentucky	University of Louisville	Others	Totals
Total Revenues	\$ 652,521	\$ 220,319	\$ 343,853	\$ 1,216,693
Expenditures:				
Education and General	633,138	307,479	490,844	1,431,461
Auxiliary Enterprises and Hospitals	<u>308,143</u>	<u>41,045</u>	<u>52,167</u>	<u>401,355</u>
Total Expenditures	941,281	348,524	543,011	1,832,816
Mandatory Transfers	36,474	15,144	32,288	83,906
Non-Mandatory Transfers	<u>18,097</u>	<u>17,361</u>	<u>6,744</u>	<u>42,202</u>
Total Expenditures and Transfers	995,852	381,029	582,043	1,958,924
Other Transfers	346,457	148,787	239,016	734,260
Other Additions (Deductions)	<u>25,010</u>	<u>18,068</u>	<u>3,131</u>	<u>46,209</u>
Net Increase (Decrease) in Fund Balance	<u>\$ 28,136</u>	<u>\$ 6,145</u>	<u>\$ 3,957</u>	<u>\$ 38,238</u>

Note 17

COMMITMENTS AND CONTINGENCIES

**Litigation** - The Commonwealth, its units and employees are parties to numerous legal proceedings, many of which normally occur in governmental operations. The legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the Commonwealth's financial position.

In addition, the Commonwealth and its units are involved in certain other legal proceedings which, if decided adversely to the Commonwealth, may require the Commonwealth to make material future expenditures for expanded services or capital facilities or may impair future revenue sources or may require the refund of prior collections. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures or revenue sources of the Commonwealth.

**Federal Grants** - The Commonwealth receives significant financial assistance from the U.S. Government in the form of grants and Federal revenue sharing entitlements. Entitlement to these resources is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantors. Any disallowances as a result of these audits become a liability of the Commonwealth.

**Leases** - The Commonwealth has entered into various operating leases for land and buildings. All leases contain termination clauses providing for the cancellation after 30, 60, or 90 days written notice to the lessors. In addition, all leases contain appropriation clauses indicating that continuation of the lease is subject to funding by the legislature. It is expected that in the normal course of business most of these leases will be replaced by similar leases. Primary Government expenditures for rent under leases for the years ended June 30, 1997 and 1996, amounted to \$42.0 million and \$35.7 million, respectively. The operating leases of the Commonwealth do not contain escalation clauses for rental or expense which would require adjustment to be in compliance with GASB Statement 13.

**Sick Leave** - It is the policy of the Commonwealth to record the cost of sick leave when paid. Generally, since sick leave (earned one day per month with unlimited accumulation) is paid only when an employee is absent due to illness, injury, or related family death, there was no liability for sick leave at June 30, 1997. The estimated accumulated amount of unused sick leave at that date for the governmental and proprietary funds was \$230,079,949 and \$14,051,170, respectively.

**Construction Projects** - The Transportation Cabinet, at June 30, 1997, has contractual commitments of approximately \$712,502,023, for the construction of numerous highway projects. It is anticipated that these projects will be funded with approximately 33% State funds, 49% Federal funds, and the remaining 18% with proceeds from the sale of revenue bonds.

Note 18

SUBSEQUENT EVENTS

The debt issuing entities of the Commonwealth issued or agreed to administer State participation in debt service payments for revenue bonds sold after June 30, 1997, and prior to January 23, 1998, and reported other subsequent events for the same period, as described below.

**The Kentucky Asset/Liability Commission** was created by House Bill 5 of the 1997 Extraordinary Session of the General Assembly of the Commonwealth of Kentucky and enacted on May 30, 1997. Pursuant to its June 18, 1997, Resolution and a Trust Indenture dated as of July 10, 1997, with Bank One, Kentucky, the Commission issued \$200,400,000 in General Fund Tax and Revenue Anticipation Notes, 1997 Series A.

The proceeds of the 1997 Series A Notes will be used by the Commonwealth to discharge expenditure demands on the General Fund for the fiscal year ending June 30, 1998, in anticipation of taxes and revenues to be collected during Fiscal year 1998 and to pay the costs of issuance. The Notes are due June 28, 1998, at 4.5%.

**The Kentucky Infrastructure Authority**, on September 1, 1997, issued Infrastructure Revolving Fund Program Revenue and Revenue Refunding Bonds, 1997 Series L in the amount of \$28,775,000. The 1997 Series L bonds have principal due annually to June 1, 2017, with interest rates from 4.0% to 5.5%.

On September 3, 1997, the Authority issued Revenue Bond Anticipation Notes, 1997 Series B in the amount of \$3,700,000. The 1997 Series B notes mature June 30, 1998. Interest is paid monthly with an initial rate of 3.65% that is adjusted weekly. The proceeds of the notes will be used to fund the Governmental Agencies Program loans. It is anticipated that the notes will be redeemed at their maturity from proceeds from the sale of government agencies program revenue bonds to be issued by the Authority. The issuance of these notes is secured by a letter of credit.

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**The Kentucky Housing Corporation**, on July 1, 1997, borrowed \$2,600,000 from a bank line of credit. The proceeds of the borrowing are invested in short-term federal agency obligations. The purpose of the borrowing is to preserve tax-exempt bond issuance capacity. The borrowing is expected to be repaid upon the next issuance of Housing Revenue Bonds.

On August 28, 1997, the Corporation's Board of Directors authorized the development of a financing plan for the replacement refunding of Housing Revenue Bonds. The proceeds of the transaction will be used to finance mortgage loans for persons and families of lower and moderate income.

On December 18, 1997, the Corporation remarketed or initially issued Housing Revenue Bonds as follows:

\$22,550,000, 1997 Series D, a remarketed issue, with \$1,330,000 in semiannual serial maturities January and July 1, 2008 through 2010, at 5.0% to 5.25% and term maturities of \$5,205,000 due July 1, 2018, at 5.55% and \$16,015,000 due July 1, 2030, at 5.6%;

\$5,340,000, 1997 Series E, all in serial bonds maturing semiannually January and July 1, 1999 through 2017, at 4.0% to 5.4%; and

\$8,495,000, 1997 Series F, with term maturities of \$830,000 due July 1, 2013, at 5.45%; \$2,790,000 due January 1, 2021, at 4.95%; \$2,875,000 due January 1, 2028, at 5.7%; and \$2,000,000 due July 1, 2028, at 5.7%.

**The Kentucky Higher Education Student Loan Corporation**, on September 4, 1997, issued \$2,040,000 of Insured Student Loan Revenue Bonds pursuant to its 1983 General Bond Resolution to finance its loan program. The \$1,040,000 1997 Series C bonds are scheduled to mature in various amounts through June 1, 2002, and bear interest ranging from 4.4% to 5.15%. The \$1,000,000 1997 Series D bonds are scheduled to mature June 1, 2003, and bear interest at 5.4%.

**The Kentucky Higher Education Assistance Authority** reported the 1997 Budget Reconciliation Act requires payment of a portion of guaranty agency reserves to the U.S. Treasury. The Authority will return approximately \$13 million. These funds will be placed in a designated investment and returned to the U.S. Treasury at the end of a five-year period. The first installment of \$2.5 million will be set aside in a restricted account and invested during the 1998 fiscal year.

**The Finance and Administration Cabinet's Central Stores Branch** ceased operations during November, 1997. As part of the Empower Kentucky program authorized by the 1996 Regular Session of the Kentucky General Assembly, specific reengineering initiatives were endorsed by a joint Executive/Legislative Redesign Steering Committee. Among these efforts a Simplified Admin-

istrative System includes adoption of a "best value" approach to procurements and optimizing warehouse operations through inventory and space consolidations, and closure of excess facilities. Central Stores was among the operations identified for closure. As a result, the Central Stores column will be removed from Internal Service Fund Statements for the year ended June 30, 1998.

**The University of Louisville, The Commonwealth of Kentucky, and Columbia HCA (Columbia)** entered into a complete settlement of all outstanding matters related to the affiliation and lease agreement between the University and Columbia. The agreed order provides for the University to drop all its claims against Columbia and vice versa with the stipulation that Columbia deed its land east of the Hospital to the University upon payment of \$800,000. The University must also make payments of \$13,500 per month for 120 months, beginning January 1, 1998. In an unrelated lawsuit, Columbia must pay the University the lesser of \$820,000 or 20% of the amount by which Columbia prevails or settles with the Revenue Cabinet.

**Kentucky School Facilities Construction Commission** administers State participation in the debt service payments of local public school district revenue bonds issued subsequent to June 30, 1997, and maturing as to principal through 2017 as follows:

**COMMONWEALTH OF KENTUCKY**  
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**June 30, 1997**

School District	Sale Date	Principal at Issue	State Share	Interest Rate
Christian County	07/02/97	\$ 4,935,000	\$ 965,769	5.0-5.1%
Fulton County	07/10/97	293,000	223,408	4.0-5.5%
Oldham County	07/17/97	7,350,000	610,468	4.9-5.9%
Montgomery County	07/24/97	5,385,000	401,567	4.25-5.0%
Shelby County	07/29/97	1,210,000	846,982	3.8-4.5%
Carroll County	07/31/97	4,055,000	525,089	3.8-5.0%
Powell County	08/07/97	1,500,000	457,560	4.25-4.7%
Covington Ind.	08/12/97	1,250,000	642,317	4.0-4.8%
Boyle County	08/14/97	2,115,000	558,879	4.375-5.0%
Clinton County	08/20/97	960,000	169,655	4.35-5.2%
Christian County	08/21/97	5,085,000	2,815,464	4.0-5.0%
Edmonson County	08/25/97	2,405,000	1,274,846	3.75-4.6%
Larue County	08/26/97	1,515,000	747,819	4.1-5.2%
Pike County	08/27/97	3,675,000	2,821,426	5.4-5.5%
Boone County	08/28/97	4,585,000	2,918,329	4.0-5.0%
Hickman County	09/29/97	2,725,000	271,918	3.9-5.0%
Berea Independent	10/01/97	1,350,000	138,500	4.1-4.8%
Wolfe County	10/07/97	1,575,000	525,465	4.0-4.75%
Logan County	10/14/97	4,090,000	548,442	3.8-5.1%
Jenkins Independent	10/15/97	1,775,000	512,900	4.0-5.0%
Knox County, A	10/22/97	10,355,000	1,512,152	4.0-5.125%
Knox County, B	10/22/97	660,000	385,105	4.3-5.0%
Rowan County	10/28/97	7,000,000	3,453,735	3.8-4.8%
Garrard County	11/05/97	2,590,000	1,895,833	3.75-4.7%
Boyd County	11/06/97	13,295,000	1,619,272	4.4-5.375%
Muhlenburg County	11/10/97	700,000	700,000	4.1-5.5%
Greenup County	11/18/97	3,120,000	3,120,000	4.0-4.7%
Barbourville Ind., A	11/20/97	935,000	75,923	4.375-5.125%
Barbourville Ind., B	11/20/97	620,000	203,501	4.2-4.7%
Henry County	12/03/97	1,810,000	153,052	4.0-4.6%
Monroe County	12/03/97	4,595,000	3,085,502	3.75-4.625%
Gallatin County	12/04/97	1,440,000	535,152	4.1-5.1%
Bath County	12/09/97	2,785,000	1,714,679	3.9-4.7%
Scott County	12/09/97	4,345,000	1,079,901	3.9-4.5%
Pike County	12/09/97	12,370,000	8,767,805	4.0-4.75%
Fleming County	12/10/97	400,180	400,180	4.0-5.4%
Lawrence County	12/10/97	597,820	597,820	4.0-5.4%
Campbellsville Ind.	12/11/97	325,000	211,120	4.5-5.0%
Whitley County	12/15/97	3,305,000	1,562,429	3.75-4.0%
Union County	12/16/97	2,910,000	2,419,169	4.1-4.6%
Greenup County	01/06/98	3,055,000	566,830	3.9-5.0%
Magoffin County	01/12/98	1,725,000	1,535,559	3.9-4.3%
Grant County	01/13/98	2,340,000	1,459,948	3.85-4.2%
Paris Independent	01/14/98	1,475,000	504,395	4.0-4.2%
Bourbon County	01/15/98	3,625,000	1,942,944	4.0-4.1%
Boyle County	01/20/98	1,825,000 *	385,274 *	NIC 4.2387% *
Covington Independent	01/20/98	4,790,000 *	2,492,213 *	NIC 4.253552% *
Marion County	01/21/98	1,690,000 *	398,962 *	NIC 4.33% *
Powell County	01/21/98	1,345,000	462,161	3.9-4.25%
Caldwell County, A	01/22/98	2,875,000 *	637,649 *	NIC 4.345951 *
Caldwell County, B	01/22/98	2,650,000 *	2,614,995 *	NIC 4.2557557 *
Totals		\$ 159,386,000	\$ 64,470,063	

\* Amounts are estimated, pending final participation and debt service schedules.

**COMMONWEALTH OF KENTUCKY**  
**Notes to Combined Financial Statements**  
**June 30, 1997**

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Audited financial statements for component units may be requested at the following addresses:

Bluegrass State Skills Corporation  
Capital Plaza Tower  
500 Mero Street  
Frankfort, Kentucky 40601

Kentucky Turnpike Authority  
Room 267, Capitol Annex Building  
Frankfort, Kentucky 40601

Kentucky Center for the Arts  
5 Riverfront Plaza  
Louisville, Kentucky 40202-2989

Kentucky Economic Development Finance Authority  
Capital Plaza Tower  
500 Mero Street  
Frankfort, Kentucky 40601

Kentucky Higher Education Student Loan Corporation  
10180 Linn Station Road  
P.O. Box 24266  
Louisville, Kentucky 40224-0266

Kentucky Housing Corporation  
1231 Louisville Road  
Frankfort, Kentucky 40601

Kentucky Retirement Systems  
Perimeter Park West  
1260 Louisville Road  
Frankfort, Kentucky 40601

Teachers' Retirement System  
479 Versailles Road  
Frankfort, Kentucky 40601

University of Louisville  
Belknap Campus  
Controller's Office  
Louisville, Kentucky 40292

Western Kentucky University  
Vice President for Finance and Administration  
1 Big Red Way  
Bowling Green, Kentucky 42101-3576

Murray State University  
Financial Management and Planning  
Murray, Kentucky 42071

Kentucky State University  
Office of Administrative Affairs  
East Main Street  
Frankfort, Kentucky 40601

Kentucky Lottery Corporation  
Two Paragon Centre Suite 400  
6040 Dutchmans Lane  
Louisville, Kentucky 40205-3271

Kentucky State Fair Board  
Kentucky Fair and Exposition Center  
P.O. Box 37130  
Louisville, Kentucky 40233-7130

Kentucky Educational Television  
600 Cooper Drive  
Lexington, Kentucky 40502

Kentucky Higher Education Assistance Authority  
1050 U.S. 127 South, Suite 102  
Frankfort, Kentucky 40601

Kentucky Educational Savings Plan Trust  
1050 U.S. 127 South, Suite 102  
Frankfort, Kentucky 40601

Kentucky Infrastructure Authority  
Suite 261, Capitol Annex Building  
Frankfort, Kentucky 40601

Kentucky Local Correctional Facilities Construction Authority  
Suite 261, Capitol Annex Building  
Frankfort, Kentucky 40601

Kentucky Judicial Form Retirement System  
P.O. Box 791  
Frankfort, Kentucky 40602

University of Kentucky  
General Accounting  
371 Peterson Service Building  
Lexington, Kentucky 40506-0005

Eastern Kentucky University  
Vice President for Business Affairs  
521 Lancaster Avenue  
Richmond, Kentucky 40475-3101

Morehead State University  
Office of Accounting and Budgetary Control  
202 Howell-McDowell Administration Building  
Morehead, Kentucky 40351-1689

Northern Kentucky University  
Office of Business Affairs  
Lucas Administration Center 726  
Nunn Drive  
Highland Heights, Kentucky 41099-8101

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**COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP  
SCHEDULES AND STATEMENTS**

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## GENERAL FUND

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The **General Fund** accounts for financial resources appropriated by the General Assembly that are not required to be accounted for in another fund.

**COMMONWEALTH OF KENTUCKY**  
**BALANCE SHEET**  
**GENERAL FUND**  
**JUNE 30, 1997**  
(Expressed in Thousands)

	<u>June 30, 1997</u>
<b><u>ASSETS</u></b>	
CASH AND CASH EQUIVALENTS	\$ 233,502
INVESTMENTS, NET OF AMORTIZATION	300,980
RECEIVABLES, NET	454,928
INTERFUND RECEIVABLES	74,524
INVENTORIES	10,871
TOTAL ASSETS	<u>\$ 1,074,805</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>	
LIABILITIES:	
ACCOUNTS PAYABLE	\$ 449,425
TAX REFUNDS PAYABLE	168,913
INTERFUND PAYABLES	34,894
DEFERRED REVENUE	59,919
TOTAL LIABILITIES	<u>713,151</u>
FUND BALANCE:	
RESERVED FOR:	
STATUTORY OBLIGATIONS	53,958
BUDGET STABILIZATION	200,000
INVENTORIES	10,871
UNRESERVED:	
UNDESIGNATED	96,825
TOTAL FUND BALANCE	<u>361,654</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,074,805</u>

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	<u>June 30, 1997</u>
REVENUES:	
TAXES	\$ 5,382,949
LICENSES, FEES, AND PERMITS	21,094
INTERGOVERNMENTAL	4,706
CHARGES FOR SERVICES	3,796
FINES AND FORFEITS	41,652
INTEREST AND OTHER INVESTMENT INCOME	32,025
OTHER REVENUES	15,363
TOTAL REVENUES	<u>5,501,585</u>
EXPENDITURES:	
GENERAL GOVERNMENT	393,051
LEGISLATIVE AND JUDICIAL	148,132
COMMERCE	17,013
EDUCATION AND HUMANITIES	2,535,870
HUMAN RESOURCES	1,043,539
JUSTICE	294,167
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	49,994
PUBLIC PROTECTION AND REGULATION	36,327
TRANSPORTATION	5,288
TOTAL EXPENDITURES	<u>4,523,381</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>978,204</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	171,453
OPERATING TRANSFERS OUT	(467,808)
TRANSFERS TO COMPONENT UNITS	(783,205)
CAPITALIZED LEASES	524
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,079,036)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(100,832)
FUND BALANCE AT JULY 1	463,391
INCREASE (DECREASE) IN INVENTORIES	(905)
FUND BALANCE AT JUNE 30	<u>\$ 361,654</u>

**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
BUDGETED:			
TAXES	\$ 5,300,221	\$ 5,401,232	\$ 101,011
LICENSES, FEES, AND PERMITS	18,497	21,095	2,598
INTERGOVERNMENTAL	4,481	4,706	225
CHARGES FOR SERVICES	2,427	3,850	1,423
FINES AND FORFEITS	38,895	41,652	2,757
INTEREST AND OTHER INVESTMENT INCOME	30,625	30,934	309
LOTTERY PROCEEDS	151,000	151,000	
OTHER REVENUES	10,472	2,489	(7,983)
TRANSFERS IN	12,875	17,110	4,235
TOTAL BUDGETED REVENUES	<u>5,569,493</u>	<u>5,674,068</u>	<u>104,575</u>
NON-BUDGETED:			
OTHER REVENUES		21	21
ESCHEAT REVENUE		6,574	6,574
TRANSFERS IN (INTERFUND)		3,438	3,438
TOTAL NON-BUDGETED REVENUES		<u>10,033</u>	<u>10,033</u>
TOTAL REVENUES	<u>5,569,493</u>	<u>5,684,101</u>	<u>114,608</u>
EXPENDITURES:			
GENERAL GOVERNMENT:			
GOVERNOR'S OFFICE	6,626	6,446	180
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT	2,269	2,207	62
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT - PLANNING FUND	324	195	129
UNIFIED PROSECUTORIAL SYSTEM - COMMONWEALTH ATTORNEYS	15,886	15,616	270
UNIFIED PROSECUTORIAL SYSTEM - COUNTY ATTORNEYS	15,057	15,057	
DEPARTMENT OF AGRICULTURE	16,417	15,423	994
OFFICE OF THE ATTORNEY GENERAL	10,183	10,174	9
AUDITOR OF PUBLIC ACCOUNTS	4,434	4,434	
REGISTRY OF ELECTION FINANCE	1,286	1,272	14
MILITARY AFFAIRS - GENERAL OPERATIONS	11,169	10,315	854
MILITARY AFFAIRS - DISASTER AND EMERGENCY SERVICES	9,454	9,005	449
LOCAL GOVERNMENT - VARIOUS AREA DEVELOPMENT DISTRICTS	5,895	5,763	132
LOCAL GOVERNMENT - ECONOMIC ASSISTANCE FUND	39,703	31,193	8,510
LOCAL GOVERNMENT - ECONOMIC DEVELOPMENT FUND	29,061	25,357	3,704
SECRETARY OF STATE - GENERAL OPERATIONS	2,160	2,049	111
DEPARTMENT OF THE TREASURY	1,735	1,735	
BOARD OF ELECTIONS	3,277	3,100	177
PERSONNEL BOARD	491	490	1
SCHOOL FACILITIES CONSTRUCTION COMMISSION	60,144	57,247	2,897
EXECUTIVE BRANCH ETHICS COMMISSION	248	242	6
COMMISSION ON HUMAN RIGHTS	1,743	1,731	12
COMMISSION ON WOMEN	210	199	11
COUNCIL ON HIGHER EDUCATION	8,766	8,424	342
BUDGET RESERVE TRUST FUND	200,000		200,000

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
PERSONNEL CABINET	4,877	4,874	3
EASTERN KENTUCKY UNIVERSITY	57,991	57,991	
KENTUCKY STATE UNIVERSITY	19,579	19,579	
MOREHEAD STATE UNIVERSITY	34,611	33,922	689
MURRAY STATE UNIVERSITY	41,700	41,700	
NORTHERN KENTUCKY UNIVERSITY	31,566	31,566	
UNIVERSITY OF KENTUCKY	263,336	263,336	
UNIVERSITY OF KENTUCKY COMMUNITY COLLEGE SYSTEM	82,610	82,610	
UNIVERSITY OF LOUISVILLE	147,843	147,755	88
WESTERN KENTUCKY UNIVERSITY	54,649	54,649	
REVENUE:			
GENERAL ADMINISTRATION	29,381	29,138	243
DEPARTMENT OF TAX COMPLIANCE	20,941	20,866	75
DEPARTMENT OF PROPERTY TAXATION	4,270	4,125	145
OFFICE OF PROPERTY VALUATION ADMINISTRATORS	19,433	19,067	366
FINANCE AND ADMINISTRATION - OFFICE OF THE SECRETARY	27,802	26,406	1,396
CAPITAL PLAZA AUTHORITY	59	59	
KENTUCKY VETERANS CENTER	5,835	5,835	
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY	30,222	30,098	124
DEPARTMENT FOR ADMINISTRATION	3,579	3,557	22
FACILITIES MANAGEMENT - 1997 FLOOD HOUSING DISASTER AID	812	812	
DEPARTMENT FOR FACILITIES MANAGEMENT	6,289	6,236	53
SPECIAL ACCOUNTS - CAPITAL CONSTRUCTION	2,300	2,300	
EMPOWER KENTUCKY CAPITAL CONSTRUCTION POOL B	65,125	65,125	
EMPOWER KENTUCKY	103,351	103,351	
COUNTY COSTS	14,886	14,293	593
ACCESS TO JUSTICE	1,200	1,183	17
APPROPRIATIONS NOT OTHERWISE CLASSIFIED:			
BOARD OF CLAIMS AWARDS	300	248	52
GUARDIAN AD LITEM	2,100	2,016	84
JUDGEMENTS AND COURT ORDERED REFUNDS	55,071	27,734	27,337
PRIOR YEAR CLAIMS	481	480	1
UNREDEEMED CHECKS REFUNDED	300	223	77
INVOLUNTARY COMMITMENTS	60	51	9
FRANKFORT IN LIEU OF TAXES	195	195	
FRANKFORT CEMETERY	3	3	
POLICE AND FIREMEN LIFE INSURANCE	300	250	50
MASTER COMMISSIONER EMPLOYERS RETIREMENT	220	210	10
MASTER COMMISSIONER SOCIAL SECURITY	143	143	
WORKERS' COMPENSATION	348	348	
ATTORNEY GENERAL EXPENSE	147	147	
TOTAL GENERAL GOVERNMENT	<u>1,580,453</u>	<u>1,330,155</u>	<u>250,298</u>
LEGISLATIVE AND JUDICIAL:			
GENERAL ASSEMBLY:			
REGULAR SESSIONS	13,993	6,837	7,156
KENTUCKY LEGISLATIVE ETHICS COMMISSION	663	298	365
LONG TERM POLICY RESEARCH CENTER	514	429	85
LEGISLATIVE RESEARCH COMMISSION:			
ADMINISTRATIVE	23,744	20,154	3,590
EDUCATIONAL PLANNING COMMISSION	200		200
JUDICIAL RETIREMENT SYSTEM	5,634	5,634	
COURT OF JUSTICE - CASE MANAGEMENT SYSTEM	860	860	

Continued

**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL (BUDGETARY BASIS) - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
COURT OF JUSTICE - OPERATION AND ADMINISTRATION	103,164	103,163	1
COURT OF JUSTICE - LOCAL FACILITY SUPPORT	18,213	15,638	2,575
TOTAL LEGISLATIVE AND JUDICIAL	<u>166,985</u>	<u>153,013</u>	<u>13,972</u>
COMMERCE:			
ECONOMIC DEVELOPMENT:			
OFFICE OF THE SECRETARY	1,691	1,684	7
ADMINISTRATION AND SUPPORT	1,726	1,713	13
JOB DEVELOPMENT	2,015	1,937	78
FINANCIAL INCENTIVES	65,445	53,908	11,537
COMMUNITY DEVELOPMENT	3,214	3,158	56
TOURISM - OFFICE OF THE SECRETARY	1,224	1,217	7
BREAKS INTERSTATE PARK	170	170	
DEPARTMENT OF TRAVEL DEVELOPMENT	6,273	6,211	62
KENTUCKY STATE FAIR BOARD	11,795	11,795	
KENTUCKY HORSE PARK	2,740	2,739	1
DEPARTMENT OF PARKS	35,149	35,149	
TOTAL COMMERCE	<u>131,442</u>	<u>119,681</u>	<u>11,761</u>
EDUCATION AND HUMANITIES:			
OFFICE OF THE SECRETARY	1,865	1,865	
COMMISSION ON DEAF AND HARD OF HEARING	461	461	
KENTUCKY HERITAGE COUNCIL	569	569	
KENTUCKY ARTS COUNCIL	3,392	3,392	
EDUCATION:			
SUPPORT EDUCATION EXCELLENCE IN KY (SEEK)	1,975,214	1,975,180	34
EXECUTIVE POLICY AND MANAGEMENT	3,184	3,184	
MANAGEMENT SUPPORT SERVICES	260,611	259,777	834
LEARNING RESULTS SERVICES	30,964	30,324	640
LEARNING SUPPORT SERVICES	123,420	123,195	225
KENTUCKY EDUCATION TELEVISION	15,761	15,761	
KENTUCKY HISTORICAL SOCIETY	4,004	4,004	
KENTUCKY CENTER FOR THE ARTS	3,134	3,134	
LIBRARIES AND ARCHIVES - DIRECT LOCAL AID	5,687	5,687	
LIBRARIES AND ARCHIVES - GENERAL OPERATIONS	7,443	7,442	1
TEACHERS' RETIREMENT SYSTEM	69,647	69,647	
WORKFORCE DEVELOPMENT - OFFICE OF THE SECRETARY:			
GENERAL ADMINISTRATION AND PROGRAM SUPPORT	7,358	7,318	40
TEACHER RETIREMENT EMPLOYER CONTRIBUTION MATCH	8,822	8,822	
WORKFORCE DEVELOPMENT:			
DEPARTMENT FOR THE BLIND	1,744	1,714	30
DEPARTMENT OF EMPLOYMENT SERVICES	551	544	7
BOARD FOR ADULT AND TECHNICAL EDUCATION	34	29	5
DEPARTMENT FOR TECHNICAL EDUCATION	67,219	67,168	51
DEPARTMENT FOR ADULT EDUCATION & LITERACY	10,090	9,990	100
VOCATIONAL REHABILITATION	8,736	8,636	100
TOTAL EDUCATION AND HUMANITIES	<u>2,609,910</u>	<u>2,607,843</u>	<u>2,067</u>
HUMAN RESOURCES:			
CHR - EXECUTIVE OFFICE OF SUPPORT SERVICES	19,713	19,713	
CHR - DEPARTMENT FOR MENTAL HEALTH AND MENTAL RETARDATION SERVICES	65,093	65,093	
CHR - DEPARTMENT FOR HEALTH SERVICES	22,825	22,825	
CHR - COMMISSION FOR SPECIAL NEEDS CHILDREN	1,228	1,228	
CHR - DEPARTMENT FOR SOCIAL INSURANCE - PROGRAMS	24,656	24,656	
CHR - DEPARTMENT FOR SOCIAL INSURANCE - BENEFITS	40,444	40,444	
CHR - DEPARTMENT FOR MEDICAID SERVICES - PROGRAMS	4,218	4,218	
CHR - DEPARTMENT FOR MEDICAID SERVICES - BENEFITS	315,931	315,931	
CHR - KENTUCKY HEALTH POLICY BOARD	303	303	
CHR - DEPARTMENT FOR SOCIAL SERVICES - PROGRAMS	86,677	86,677	

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
CHR - OFFICE OF CERTIFICATE OF NEED	150	150	
CHR - OFFICE OF FAMILY RESOURCE AND YOUTH SERVICES CENTERS	27,733	27,733	
CFC - ADMINISTRATIVE SERVICES	3,028	2,930	98
CFC - DEPARTMENT FOR SOCIAL INSURANCE	25,513	24,413	1,100
CFC - TRANSITIONAL SUPPORT BENEFITS	50,035	38,694	11,341
CFC - DEPARTMENT FOR SOCIAL SERVICES	35,478	35,478	
CFC - OFFICE OF FAMILY RESOURCES AND YOUTH SERVICES CENTERS	10,664	10,664	
CHS - ADMINISTRATIVE SUPPORT	2,723	2,723	
CHS - DEPARTMENT OF PUBLIC HEALTH	26,694	26,694	
CHS - DEPARTMENT FOR MENTAL HEALTH AND MENTAL RETARDATION	48,435	48,435	
CHS - DEPARTMENT FOR MEDICAID SERVICES	4,568	4,568	
CHS - MEDICAID SERVICES BENEFITS	239,169	239,169	
CHS - OFFICE OF CERTIFICATE OF NEED	160	160	
CHS - COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS	1,392	1,392	
TOTAL HUMAN RESOURCES	<u>1,056,830</u>	<u>1,044,291</u>	<u>12,539</u>
JUSTICE:			
JUSTICE - ADMINISTRATION	6,253	6,232	21
DEPARTMENT OF STATE POLICE	48,174	48,173	1
DEPARTMENT OF JUVENILE JUSTICE	22,535	22,535	
DEPARTMENT OF CORRECTIONS:			
MANAGEMENT	24,188	24,181	7
ADULT INSTITUTIONS	141,059	140,593	466
LOCAL JAIL ALLOTMENT	15,371	14,869	502
COMMUNITY SERVICES AND LOCAL FACILITIES	46,374	46,367	7
TOTAL JUSTICE	<u>303,954</u>	<u>302,950</u>	<u>1,004</u>
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:			
OFFICE OF THE SECRETARY	7,750	7,746	4
ENVIRONMENTAL QUALITY COMMISSION	211	211	
KENTUCKY NATURE PRESERVES COMMISSION	701	701	
DEPARTMENT FOR ENVIRONMENTAL PROTECTION	19,963	19,957	6
DEPARTMENT FOR NATURAL RESOURCES	11,472	11,472	
DEPARTMENT FOR SURFACE MINING RECLAMATION AND ENFORCEMENT	9,400	9,392	8
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	<u>49,497</u>	<u>49,479</u>	<u>18</u>
PUBLIC PROTECTION AND REGULATION:			
OFFICE OF THE SECRETARY	319	319	
BOARD OF CLAIMS/CRIME VICTIMS COMPENSATION BOARD	444	424	20
BOARD OF TAX APPEALS	530	335	195
KENTUCKY RACING COMMISSION	857	856	1
PUBLIC SERVICE COMMISSION	6,852	6,425	427
DEPARTMENT FOR PUBLIC ADVOCACY	13,226	13,226	
DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL	1,411	1,411	
DEPARTMENT OF HOUSING, BUILDING, AND CONSTRUCTION	3,291	3,286	5
DEPARTMENT FOR MINES AND MINERALS	7,914	7,910	4
LABOR - OFFICE OF THE SECRETARY	486	470	16
DEPARTMENT OF WORKPLACE STANDARDS	1,661	1,557	104
TOTAL PUBLIC PROTECTION AND REGULATION	<u>36,991</u>	<u>36,219</u>	<u>772</u>

Continued

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET TO ACTUAL (BUDGETARY BASIS) - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
TRANSPORTATION:			
AIR	5,127	2,117	3,010
RAIL	64	60	4
PUBLIC	<u>4,378</u>	<u>3,086</u>	<u>1,292</u>
TOTAL TRANSPORTATION	<u>9,569</u>	<u>5,263</u>	<u>4,306</u>
TOTAL EXPENDITURES	<u>5,945,631</u>	<u>5,648,894</u>	<u>296,737</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(376,138)	35,207	411,345
FUND BALANCE AT JULY 1	503,028	503,028	
NON-BUDGETED ITEMS		<u>(160)</u>	<u>(160)</u>
FUND BALANCE AT JUNE 30	<u>\$ 126,890</u>	<u>\$ 538,075</u>	<u>\$ 411,185</u>

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES BY SOURCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	<u>June 30, 1997</u>
REVENUES BY SOURCE	
TAXES:	
SALES AND GROSS RECEIPTS	\$ 2,057,894
INCOME:	
INDIVIDUAL	2,201,574
CORPORATIONS	291,536
PROPERTY	440,973
COAL SEVERANCE	185,744
LICENSES AND PRIVILEGES	108,045
INHERITANCE AND ESTATE	93,962
MISCELLANEOUS	<u>3,221</u>
TOTAL TAXES	5,382,949
LICENSES, FEES, AND PERMITS	21,094
INTERGOVERNMENTAL	4,706
CHARGES FOR SERVICES	3,796
FINES AND FORFEITS	41,652
INTEREST AND OTHER INVESTMENT INCOME	32,025
OTHER REVENUES	<u>15,363</u>
TOTAL REVENUES BY SOURCE	<u>\$ 5,501,585</u>

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed In Thousands)

	June 30, 1997
GENERAL GOVERNMENT:	
CABINET FOR GENERAL GOVERNMENT:	
PERSONAL SERVICES	\$ 77,396
UTILITIES, RENTALS, AND OTHER SERVICES	9,211
COMMODITIES AND SUPPLIES	5,184
GRANTS AND SUBSIDIES	51,969
CAPITAL OUTLAY	461
TRAVEL	1,730
JUDGEMENTS AND CONTINGENT LIABILITIES	(5,041)
TOTAL CABINET FOR GENERAL GOVERNMENT	<u>140,910</u>
FINANCE AND ADMINISTRATION CABINET:	
PERSONAL SERVICES	21,387
UTILITIES, RENTALS, AND OTHER SERVICES	2,686
COMMODITIES AND SUPPLIES	16,172
GRANTS AND SUBSIDIES	1,311
CAPITAL OUTLAY	641
TRAVEL	169
JUDGEMENTS AND CONTINGENT LIABILITIES	(95)
REISSUE UNREDEEMED TREASURY CHECKS	223
TOTAL FINANCE AND ADMINISTRATION CABINET	<u>42,494</u>
REVENUE CABINET:	
PERSONAL SERVICES	56,207
UTILITIES, RENTALS, AND OTHER SERVICES	14,087
COMMODITIES AND SUPPLIES	2,245
CAPITAL OUTLAY	139
TRAVEL	1,100
JUDGEMENTS AND CONTINGENT LIABILITIES	131,035
TOTAL REVENUE CABINET	<u>204,813</u>
PERSONNEL CABINET:	
PERSONAL SERVICES	3,732
UTILITIES, RENTALS, AND OTHER SERVICES	916
COMMODITIES AND SUPPLIES	166
CAPITAL OUTLAY	5
TRAVEL	15
TOTAL PERSONNEL CABINET	<u>4,834</u>
TOTAL GENERAL GOVERNMENT	<u>393,051</u>
LEGISLATIVE AND JUDICIAL:	
PERSONAL SERVICES	113,383
UTILITIES, RENTALS, AND OTHER SERVICES	24,233
COMMODITIES AND SUPPLIES	6,948
CAPITAL OUTLAY	1,192
TRAVEL	2,362
JUDGEMENTS AND CONTINGENT LIABILITIES	14
TOTAL LEGISLATIVE AND JUDICIAL	<u>148,132</u>
COMMERCE:	
ECONOMIC DEVELOPMENT CABINET:	
PERSONAL SERVICES	5,565
UTILITIES, RENTALS, AND OTHER SERVICES	840
COMMODITIES AND SUPPLIES	312
GRANTS AND SUBSIDIES	2,171
TRAVEL	158
TOTAL ECONOMIC DEVELOPMENT CABINET	<u>9,046</u>

	June 30, 1997
<b>TOURISM CABINET:</b>	
PERSONAL SERVICES	5,051
UTILITIES, RENTALS, AND OTHER SERVICES	1,167
COMMODITIES AND SUPPLIES	397
GRANTS AND SUBSIDIES	1,248
TRAVEL	104
TOTAL TOURISM CABINET	<u>7,967</u>
TOTAL COMMERCE	<u>17,013</u>
<b>EDUCATION AND HUMANITIES:</b>	
<b>EDUCATION AND HUMANITIES CABINET:</b>	
PERSONAL SERVICES	50,304
UTILITIES, RENTALS, AND OTHER SERVICES	5,391
COMMODITIES AND SUPPLIES	2,038
GRANTS AND SUBSIDIES	2,376,118
CAPITAL OUTLAY	544
TRAVEL	1,885
JUDGEMENTS AND CONTINGENT LIABILITIES	14
TOTAL EDUCATION AND HUMANITIES CABINET	<u>2,436,294</u>
<b>WORKFORCE DEVELOPMENT CABINET:</b>	
PERSONAL SERVICES	65,988
UTILITIES, RENTALS, AND OTHER SERVICES	9,791
COMMODITIES AND SUPPLIES	6,121
GRANTS AND SUBSIDIES	14,436
CAPITAL OUTLAY	2,236
TRAVEL	958
JUDGEMENTS AND CONTINGENT LIABILITIES	46
TOTAL WORKFORCE DEVELOPMENT CABINET	<u>99,576</u>
TOTAL EDUCATION AND HUMANITIES	<u>2,535,870</u>
<b>HUMAN RESOURCES:</b>	
<b>CABINET FOR HUMAN RESOURCES:</b>	
PERSONAL SERVICES	75,730
UTILITIES, RENTALS, AND OTHER SERVICES	14,250
COMMODITIES AND SUPPLIES	1,918
GRANTS AND SUBSIDIES	415,354
CAPITAL OUTLAY	155
TRAVEL	2,031
JUDGEMENTS AND CONTINGENT LIABILITIES	(16,962)
TOTAL CABINET FOR HUMAN RESOURCES	<u>492,476</u>
<b>CABINET FOR FAMILIES AND CHILDREN:</b>	
PERSONAL SERVICES	37,498
UTILITIES, RENTALS, AND OTHER SERVICES	4,515
COMMODITIES AND SUPPLIES	(847)
GRANTS AND SUBSIDIES	71,905
CAPITAL OUTLAY	682
TRAVEL	1,778
JUDGEMENTS AND CONTINGENT LIABILITIES	37
TOTAL CABINET FOR FAMILIES AND CHILDREN	<u>115,568</u>
<b>HEALTH SERVICES CABINET:</b>	
PERSONAL SERVICES	28,364
UTILITIES, RENTALS, AND OTHER SERVICES	1,408
COMMODITIES AND SUPPLIES	2,784
GRANTS AND SUBSIDIES	385,612
CAPITAL OUTLAY	62
TRAVEL	284
JUDGEMENTS AND CONTINGENT LIABILITIES	16,981
TOTAL CABINET FOR HEALTH SERVICES	<u>435,495</u>
TOTAL HUMAN RESOURCES	<u>1,043,539</u>

Continued

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES BY FUNCTION, CABINET, AND OBJECT**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	<u>June 30, 1997</u>
JUSTICE:	
PERSONAL SERVICES	161,141
UTILITIES, RENTALS, AND OTHER SERVICES	20,779
COMMODITIES AND SUPPLIES	14,606
GRANTS AND SUBSIDIES	86,083
CAPITAL OUTLAY	3,592
TRAVEL	1,266
DEBT SERVICE	206
JUDGEMENTS AND CONTINGENT LIABILITIES	6,494
TOTAL JUSTICE	<u>294,167</u>
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:	
PERSONAL SERVICES	39,244
UTILITIES, RENTALS, AND OTHER SERVICES	4,500
COMMODITIES AND SUPPLIES	2,464
GRANTS AND SUBSIDIES	2,588
CAPITAL OUTLAY	373
TRAVEL	336
JUDGEMENTS AND CONTINGENT LIABILITIES	489
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	<u>49,994</u>
PUBLIC PROTECTION AND REGULATION:	
PUBLIC PROTECTION AND REGULATION CABINET:	
PERSONAL SERVICES	24,985
UTILITIES, RENTALS, AND OTHER SERVICES	2,651
COMMODITIES AND SUPPLIES	764
GRANTS AND SUBSIDIES	5,372
CAPITAL OUTLAY	85
TRAVEL	465
TOTAL PUBLIC PROTECTION AND REGULATION	<u>34,322</u>
LABOR CABINET:	
PERSONAL SERVICES	1,575
UTILITIES, RENTALS, AND OTHER SERVICES	116
COMMODITIES AND SUPPLIES	92
GRANTS AND SUBSIDIES	114
TRAVEL	108
TOTAL LABOR CABINET	<u>2,005</u>
TOTAL PUBLIC PROTECTION AND REGULATION	<u>36,327</u>
TRANSPORTATION :	
PERSONAL SERVICES	1,104
UTILITIES, RENTALS, AND OTHER SERVICES	33
COMMODITIES AND SUPPLIES	204
GRANTS AND SUBSIDIES	3,832
CAPITAL OUTLAY	71
TRAVEL	44
TOTAL TRANSPORTATION	<u>5,288</u>
TOTAL EXPENDITURES	<u>\$ 4,523,381</u>



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## SPECIAL REVENUE FUNDS

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The **Special Revenue Funds** account for special revenue sources dedicated to specific operations other than expendable trusts or major capital projects. Kentucky uses the following Special Revenue Funds:

**Transportation Fund** - accounts for General Fund transfers, agency revenue, federal revenue, and related expenditures of the Transportation Cabinet including the constitutional Road Fund.

**Federal Fund** - accounts for monies received from the Federal Government.

**Agency Revenue Fund** - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity and usually appropriated by the General Assembly.

**Other Special Revenue Fund** - accounts for revenues and expenditures of restricted taxes, fees, and charges related to a particular function or activity, but not usually appropriated by the General Assembly.

**COMMONWEALTH OF KENTUCKY  
COMBINING BALANCE SHEET  
SPECIAL REVENUE FUNDS  
JUNE 30, 1997**

(Expressed in Thousands)

	<u>Transportation</u>	<u>Federal</u>	<u>Agency Revenue</u>	<u>Other Special Revenue</u>	<u>Totals June 30, 1997</u>
<b>ASSETS</b>					
CASH AND CASH EQUIVALENTS	\$ 179,270	\$ 2,189	\$ 57,048	\$ 122,538	\$ 361,045
RESTRICTED CASH	997		5,776		6,773
INVESTMENTS, NET OF AMORTIZATION	488,368		123,847	275,204	887,419
RECEIVABLES, NET	58,540	566,985	48,028	31,617	705,170
INTERFUND RECEIVABLES	10,240	3,770	128,043	5,306	147,359
INVENTORIES	29,553	617	2,408	53	32,631
RESTRICTED ASSETS		77,542			77,542
TOTAL ASSETS	<u>\$ 766,968</u>	<u>\$ 651,103</u>	<u>\$ 365,150</u>	<u>\$ 434,718</u>	<u>\$ 2,217,939</u>
<b>LIABILITIES AND FUND BALANCES</b>					
LIABILITIES:					
ACCOUNTS PAYABLE	\$ 72,944	\$ 431,982	\$ 88,858	\$ 831	\$ 594,615
INTERFUND PAYABLES	10,917	118,624	43,996	31,417	204,954
DEFERRED REVENUE	20,785	145,875	22,622	12,566	201,848
TOTAL LIABILITIES	<u>104,646</u>	<u>696,481</u>	<u>155,476</u>	<u>44,814</u>	<u>1,001,417</u>
FUND BALANCE:					
RESERVED FOR:					
ENCUMBRANCES	211,619				211,619
STATUTORY OBLIGATIONS	41,451			2,090	43,541
LOANS			8,173	810	8,983
INVENTORIES	29,553	617	2,408	52	32,630
DEPOSIT WITH FISCAL AGENTS	771		5,776		6,547
COMPENSATING BALANCE WITH DEPOSITORIES	997				997
REVENUE BOND RETIREMENT				1,000	1,000
UNRESERVED:					
DESIGNATED FOR HIGHWAY CONSTRUCTION	335,132				335,132
UNDESIGNATED (NOTE 3)	42,799	(45,995)	193,317	385,952	576,073
TOTAL FUND BALANCES	<u>662,322</u>	<u>(45,378)</u>	<u>209,674</u>	<u>389,904</u>	<u>1,216,522</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 766,968</u>	<u>\$ 651,103</u>	<u>\$ 365,150</u>	<u>\$ 434,718</u>	<u>\$ 2,217,939</u>

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	Transportation	Federal	Agency Revenue	Other Special Revenue	Totals June 30, 1997
<b>REVENUES:</b>					
TAXES	\$ 816,459	\$	\$ 210,537	\$ 77,243	\$ 1,104,239
LICENSES, FEES AND PERMITS	93,160	20	49,889	394	143,463
INTERGOVERNMENTAL	467	3,578,586	30,221	100	3,609,374
CHARGES FOR SERVICES	19,878	253	226,754	8,950	255,835
FINES AND FORFEITS	49		4,127	2,710	6,886
INTEREST AND OTHER INVESTMENT INCOME	35,577	228	5,369	30,144	71,318
OTHER REVENUES	1,006	67,333	64,229	42,419	174,987
TOTAL REVENUES	<u>966,596</u>	<u>3,646,420</u>	<u>591,126</u>	<u>161,960</u>	<u>5,366,102</u>
<b>EXPENDITURES:</b>					
GENERAL GOVERNMENT		78,096	54,917	67,436	200,449
LEGISLATIVE AND JUDICIAL		338	1,926	208	2,472
COMMERCE		7,899	19,496		27,395
EDUCATION AND HUMANITIES		487,554	53,153	266	540,973
HUMAN RESOURCES		2,750,071	426,766	277	3,177,114
JUSTICE		16,135	29,798		45,933
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION		34,040	19,083	239	53,362
PUBLIC PROTECTION AND REGULATION		4,796	64,640		69,436
TRANSPORTATION	768,328	296,306	22,641		1,087,275
TOTAL EXPENDITURES	<u>768,328</u>	<u>3,675,235</u>	<u>692,420</u>	<u>68,426</u>	<u>5,204,409</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>198,268</u>	<u>(28,815)</u>	<u>(101,294)</u>	<u>93,534</u>	<u>161,693</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
OPERATING TRANSFERS IN	858	940	342,401	378,028	722,227
OPERATING TRANSFERS OUT	(175,178)	(19,068)	(227,284)	(460,884)	(882,414)
CAPITALIZED LEASES			60		60
TOTAL OTHER FINANCING SOURCES (USES)	<u>(174,320)</u>	<u>(18,128)</u>	<u>115,177</u>	<u>(82,856)</u>	<u>(160,127)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	23,948	(46,943)	13,883	10,678	1,566
FUND BALANCES AT JULY 1, AS RESTATED	635,048	2,088	199,960	379,236	1,216,332
INCREASE (DECREASE) IN INVENTORIES	3,326	(523)	(871)	(10)	1,922
RESIDUAL EQUITY TRANSFER IN (OUT)			(3,298)		(3,298)
FUND BALANCES AT JUNE 30	<u>\$ 662,322</u>	<u>\$ (45,378)</u>	<u>\$ 209,674</u>	<u>\$ 389,904</u>	<u>\$ 1,216,522</u>

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**TRANSPORTATION FUND**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	<u>June 30, 1997</u>
REVENUES:	
TAXES	\$ 816,459
LICENSES, FEES AND PERMITS	93,160
INTERGOVERNMENTAL	467
CHARGES FOR SERVICES	19,878
FINES AND FORFEITS	49
INTEREST AND OTHER INVESTMENT INCOME	35,577
OTHER REVENUES	1,006
TOTAL REVENUES	<u>966,596</u>
EXPENDITURES:	
TRANSPORTATION:	
GENERAL ADMINISTRATION AND SUPPORT	35,252
MOTOR VEHICLE REGULATION	48,821
JUSTICE - STATE POLICE	40,672
HIGHWAYS	633,594
OTHER	9,989
TOTAL EXPENDITURES	<u>768,328</u>
EXCESS OF REVENUES OVER (UNDER)	
EXPENDITURES	<u>198,268</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	858
OPERATING TRANSFERS OUT	(175,178)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(174,320)</u>
EXCESS OF REVENUES AND OTHER FINANCING	
SOURCES OVER (UNDER) EXPENDITURES	
AND OTHER FINANCING USES	23,948
FUND BALANCE AT JULY 1	635,048
INCREASE (DECREASE) IN INVENTORIES	3,326
FUND BALANCE AT JUNE 30	<u>\$ 662,322</u>

**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
BUDGETED:						
TAXES	\$ 809,750	\$ 812,623	\$ 2,873	\$	\$	\$
LICENSES, FEES, AND PERMITS	94,143	93,189	(954)			
CHARGES FOR SERVICES	19,420	19,741	321			
FINES AND FORFEITS	75	49	(26)			
INTEREST AND OTHER INVESTMENT INCOME	25,300	31,876	6,576			
OTHER REVENUES	3,525	1,307	(2,218)			
TOTAL BUDGETED REVENUES	952,213	958,785	6,572			
NON-BUDGETED:						
TAXES						
LICENSES, FEES, AND PERMITS					20	
INTERGOVERNMENTAL		1,242	1,242		3,261,008	
CHARGES FOR SERVICES					218	
FINES AND FORFEITS					9	
INTEREST AND OTHER INVESTMENT INCOME					236	
EMPLOYER CONTRIBUTIONS						
OTHER REVENUES		157	157		68,879	
TRANSFERS IN (INTERFUND)		860	860		887	
TRANSFERS IN (INTRAFUND)		5	5		803	
TOTAL NON-BUDGETED REVENUE		2,264	2,264		3,332,060	
TOTAL REVENUES	952,213	961,049	8,836		3,332,060	
EXPENDITURES:						
GENERAL GOVERNMENT:						
GOVERNOR'S OFFICE						
CAMPBELL COUNTY FEES						
DAVIESS COUNTY FEES						
FAYETTE COUNTY FEES						
HARDIN COUNTY FEES						
JEFFERSON COUNTY FEES						
KENTON COUNTY FEES						
PIKE COUNTY FEES						
WARREN COUNTY FEES						
UNIFIED PROSECUTORIAL SYSTEM:						
COMMONWEALTH ATTORNEYS				465	403	62
COUNTY ATTORNEYS				31	13	18
DEPARTMENT OF AGRICULTURE				2,292	1,683	609
OFFICE OF THE ATTORNEY GENERAL				1,418	1,310	108
AUDITOR OF PUBLIC ACCOUNTS						
MILITARY AFFAIRS:						
GENERAL OPERATIONS				39,084	37,553	1,531
KENTUCKY RETIREMENT SYSTEMS						
LOCAL GOVERNMENT -						
VARIOUS AREA DEVELOPMENT DISTRICTS				38,757	30,675	8,082
SECRETARY OF STATE						
DEPARTMENT OF THE TREASURY						
BOARD OF:						
ACCOUNTANCY						
ALCOHOL AND DRUG COUNSELORS						
AUCTIONEERS						
BARBERING						
CHIROPRACTIC EXAMINERS						
CERTIFICATION FOR PROF. COUNSELORS						
DENTISTRY						
DIETITIANS AND NUTRITIONISTS						
ELECTIONS						
EMBALMERS AND FUNERAL HOME DIRECTORS						
EXAMINERS AND REGISTRATION OF						
ARCHITECTS						
EXAMINERS AND REGISTRATION OF						
LANDSCAPE ARCHITECTS						
EXAMINERS OF PSYCHOLOGISTS						

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
\$	\$	\$	\$ 809,750	\$ 812,623	\$ 2,873
			94,143	93,189	(954)
			19,420	19,741	321
			75	49	(26)
			25,300	31,876	6,576
			3,525	1,307	(2,218)
			952,213	958,785	6,572
	209,598			209,598	
	53,917			53,937	
	45,290			3,307,540	
	1,088,541			1,088,759	
	4,134			4,143	
	36,799			37,035	
	290			290	
	126,384			195,420	
	369,183			370,930	
	661,337			662,145	
	2,595,473			5,929,797	
	2,595,473			6,888,582	
400	250	150	400	250	150
1,936	2,305	(369)	1,936	2,305	(369)
2,666	3,059	(393)	2,666	3,059	(393)
6,607	6,843	(236)	6,607	6,843	(236)
1,818	2,476	(658)	1,818	2,476	(658)
19,121	23,069	(3,948)	19,121	23,069	(3,948)
3,555	3,771	(216)	3,555	3,771	(216)
2,012	2,199	(187)	2,012	2,199	(187)
2,141	2,709	(568)	2,141	2,709	(568)
458	393	65	923	796	127
70		70	101	13	88
2,238	1,938	300	4,530	3,621	909
2,364	2,318	46	3,782	3,628	154
3,876	3,082	794	3,876	3,082	794
11,259	10,457	802	50,343	48,010	2,333
11,966	11,304	662	11,966	11,304	662
456	208	248	39,213	30,883	8,330
100		100	100		100
211	210	1	211	210	1
492	491	1	492	491	1
39	27	12	39	27	12
248	194	54	248	194	54
201	191	10	201	191	10
125	125		125	125	
5	5		5	5	
316	313	3	316	313	3
27	23	4	27	23	4
50	50		50	50	
137	130	7	137	130	7
156	147	9	156	147	9
38	37	1	38	37	1
154	147	7	154	147	7

Continued

**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
EXAMINERS OF SOCIAL WORKERS						
HAIRDRESSERS AND COSMETOLOGISTS						
LICENSING HEARING AID DEALERS AND FITTERS						
LICENSURE FOR NURSING HOME ADMINISTRATORS						
MEDICAL LICENSURE						
NURSING						
OPHTHALMIC DISPENSERS						
OPTOMETRIC EXAMINERS						
ART THERAPISTS						
OCCUPATIONAL THERAPY						
RESPIRATORY CARE PRACTITIONERS						
MARRIAGE AND FAMILY THERAPISTS						
BOARD OF:						
GEOLOGISTS						
PERSONNEL						
PHARMACY						
PHYSICAL THERAPISTS						
PODIATRY						
REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS						
SPEECH PATHOLOGY AND AUDIOLOGY						
VETERINARY EXAMINERS						
KENTUCKY ATHLETICS COMMISSION						
EXECUTIVE BRANCH ETHICS COMMISSION						
REAL ESTATE COMMISSION - ADMINISTRATION						
EDUCATION RESEARCH AND TRAINING						
REAL ESTATE APPRAISER BOARD						
COMMISSION ON WOMEN				5	1	4
COMMISSION ON HUMAN RIGHTS				151	129	22
COUNCIL ON HIGHER EDUCATION				4,137	3,263	874
PERSONNEL CABINET						
GOVERNOR'S OFFICE FOR POLICY AND MANAGEMENT						
EASTERN KENTUCKY UNIVERSITY						
KENTUCKY STATE UNIVERSITY						
MOREHEAD STATE UNIVERSITY						
MURRAY STATE UNIVERSITY						
NORTHERN KENTUCKY UNIVERSITY						
UNIVERSITY OF KENTUCKY						
UNIVERSITY OF KENTUCKY - COMMUNITY COLLEGE SYSTEM						
UNIVERSITY OF LOUISVILLE						
WESTERN KENTUCKY UNIVERSITY						
REVENUE CABINET:						
REVENUE OPERATIONS	1,066	1,066		90	44	46
OFFICE OF PROPERTY VALUATION ADMINISTRATORS	286	286				
FINANCE AND ADMINISTRATION:						
OFFICE OF THE SECRETARY	125	125		84,040	39,614	44,426
CAPITAL PLAZA AUTHORITY						
KENTUCKY VETERANS CENTER						
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY				390	390	
COUNTY COSTS - PUBLIC DEFENDER PROGRAM						
COUNTY COSTS - DUI SERVICE FEES						
DEPARTMENT FOR ADMINISTRATION	246	236	10			
OFFICE OF GOVERNMENTAL SERVICES CENTER						
DEPARTMENT FOR FACILITIES MANAGEMENT						
TOTAL GENERAL GOVERNMENT	1,723	1,713	10	170,860	115,078	55,782



**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
LEGISLATIVE AND JUDICIAL:						
GENERAL ASSEMBLY - LONG TERM POLICY						
RESEARCH CENTER AND ETHICS COMMISSION						
LEGISLATIVE RESEARCH COMMISSION				1		1
JUDICIAL FORM RETIREMENT SYSTEM						
COURT OF JUSTICE						
OPERATIONS AND ADMIN				716	331	385
TOTAL LEGISLATIVE AND JUDICIAL				717	331	386
COMMERCE:						
ECONOMIC DEVELOPMENT -						
OFFICE OF THE SECRETARY						
ADMINISTRATION AND SUPPORT						
FINANCIAL INCENTIVES						
COMMUNITY DEVELOPMENT				1,068	440	628
TOURISM -						
OFFICE OF THE SECRETARY				175	49	126
TRAVEL DEVELOPMENT				38	32	6
DEPARTMENT OF PARKS				20	19	1
DEPARTMENT OF FISH AND WILDLIFE						
RESOURCES				7,034	7,013	21
TOTAL COMMERCE				8,335	7,553	782
EDUCATION AND HUMANITIES:						
COMMISSION ON THE DEAF AND HARD OF HEARING						
ENVIRONMENTAL EDUCATION COUNCIL						
KENTUCKY HERITAGE COUNCIL				867	847	20
KENTUCKY ARTS COUNCIL				606	562	44
OFFICE OF THE SECRETARY						
EDUCATION -						
EXECUTIVE POLICY AND MANAGEMENT				484	416	68
MANAGEMENT SUPPORT SERVICES				133,413	131,359	2,054
LEARNING RESULTS SERVICES				2,286	2,248	38
LEARNING SUPPORT SERVICES				206,687	197,003	9,684
KENTUCKY EDUCATIONAL TELEVISION				4,544	3,793	751
KENTUCKY HISTORICAL SOCIETY				92	90	2
LIBRARIES AND ARCHIVES -						
DIRECT LOCAL AID				1,049	568	481
GENERAL OPERATIONS				1,469	1,032	437
TEACHERS RETIREMENT SYSTEM						
WORKFORCE DEVELOPMENT -						
OFFICE OF THE SECRETARY						
JOB TRAINING COORDINATING COUNCIL				139	139	
GENERAL ADMINISTRATION & PROGRAM SUPPORT				13,394	8,678	4,716
BOARD OF PROPRIETARY EDUCATION						
STATE ADVISORY COUNCIL FOR						
VOCATIONAL EDUCATION				149	140	9
DEPARTMENT FOR THE BLIND				7,229	6,505	724
OFFICE OF TRAINING AND REEMPLOYMENT				35,101	30,678	4,423
DEPARTMENT FOR EMPLOYMENT SERVICES				48,883	45,059	3,824
DEPARTMENT FOR TECHNICAL EDUCATION				21,295	19,026	2,269
DEPARTMENT FOR ADULT EDUCATION & LITERACY				6,528	6,464	64
DEPARTMENT OF VOCATIONAL REHABILITATION				34,859	30,220	4,639
TOTAL EDUCATION AND HUMANITIES				519,074	484,827	34,247
HUMAN RESOURCES:						
CHR - EXECUTIVE OFFICE OF SUPPORT SERVICES				6,104	6,104	
CHR - DEPARTMENT FOR MENTAL HEALTH AND						
MENTAL RETARDATION SERVICES				11,879	11,879	
CHR - DEPARTMENT FOR HEALTH SERVICES				51,059	51,059	
CHR - COMMISSION FOR SPECIAL NEEDS CHILDREN				2,142	2,142	
CHR - DEPARTMENT FOR SOCIAL INSURANCE -						
PROGRAMS				52,684	52,684	
BENEFITS				84,298	84,298	

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
529	31	498	529	31	498
1,243	4	1,239	1,244	4	1,240
115	54	61	115	54	61
<u>3,438</u>	<u>1,921</u>	<u>1,517</u>	<u>4,154</u>	<u>2,252</u>	<u>1,902</u>
<u>5,325</u>	<u>2,010</u>	<u>3,315</u>	<u>6,042</u>	<u>2,341</u>	<u>3,701</u>
350	350		350	350	
261	191	70	261	191	70
1,644	1,268	376	1,644	1,268	376
260	167	93	1,328	607	721
			175	49	126
19	2	17	57	34	23
			20	19	1
<u>19,441</u>	<u>19,406</u>	<u>35</u>	<u>26,475</u>	<u>26,419</u>	<u>56</u>
<u>21,975</u>	<u>21,384</u>	<u>591</u>	<u>30,310</u>	<u>28,937</u>	<u>1,373</u>
364	325	39	364	325	39
150	140	10	150	140	10
174	170	4	1,041	1,017	24
308	277	31	914	839	75
98	91	7	98	91	7
347	303	44	831	719	112
2,111	2,034	77	135,524	133,393	2,131
400	328	72	2,686	2,576	110
1,771	752	1,019	208,458	197,755	10,703
1,849	940	909	6,393	4,733	1,660
585	480	105	677	570	107
15	7	8	1,064	575	489
1,155	1,102	53	2,624	2,134	490
3,675	3,443	232	3,675	3,443	232
			139	139	
4,979	4,419	560	18,373	13,097	5,276
102	102		102	102	
			149	140	9
1,495	1,224	271	8,724	7,729	995
18		18	35,119	30,678	4,441
3,142	3,118	24	52,025	48,177	3,848
37,254	35,164	2,090	58,549	54,190	4,359
1,199	964	235	7,727	7,428	299
2,270	1,852	418	37,129	32,072	5,057
<u>63,461</u>	<u>57,235</u>	<u>6,226</u>	<u>582,535</u>	<u>542,062</u>	<u>40,473</u>
3,417	3,417		9,521	9,521	
52,250	52,250		64,129	64,129	
3,249	3,249		54,308	54,308	
3,590	3,590		5,732	5,732	
12,675	12,675		65,359	65,359	
1,798	1,798		86,096	86,096	

Continued

**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
CHR - DEPARTMENT FOR MEDICAID SERVICES - PROGRAMS				8,640	8,640	
CHR - DEPARTMENT FOR MEDICAID SERVICES - BENEFITS				796,853	796,853	
CHR - DEPARTMENT FOR SOCIAL SERVICES				69,387	69,387	
CHR - OFFICE OF FAMILY RES AND YOUTH SER						
CFC - ADMINISTRATIVE SERVICES				5,350	4,012	1,338
CFC - DEPARTMENT FOR SOCIAL INSURANCE				78,057	62,800	15,257
CFC - TRANSITIONAL SUPPORT BENEFITS				92,490	78,045	14,445
CFC - DEPARTMENT FOR SOCIAL SERVICES				80,582	74,103	6,479
CFC - OFFICE OF FAMILY RESOURCES AND YOUTH SERVICES CENTERS						
CHS - ADMINISTRATIVE SUPPORT				4,126	3,668	458
CHS - DEPARTMENT OF PUBLIC HEALTH				59,404	55,093	4,311
CHS - DEPARTMENT FOR MENTAL HEALTH AND MENTAL RETARDATION				26,506	18,108	8,398
CHS - DEPARTMENT FOR MEDICAID SERVICES				24,824	11,280	13,544
CHS - MEDICAID SERVICES BENEFITS				979,430	973,314	6,116
CHS - OFFICE OF CERTIFICATE OF NEED						
CHS - COMMISSION FOR CHILDREN WITH SPECIAL HEALTH CARE NEEDS				2,731	2,425	306
<b>TOTAL HUMAN RESOURCES</b>				<b>2,436,546</b>	<b>2,365,894</b>	<b>70,652</b>
JUSTICE:						
ADMINISTRATION				5,616	5,130	486
DEPARTMENT OF STATE POLICE	40,407	40,407		7,714	5,401	2,313
DEPARTMENT OF JUVENILE JUSTICE				7,659	5,248	2,411
DEPARTMENT OF CRIMINAL JUSTICE TRAINING						
DEPARTMENT OF CORRECTIONS - MANAGEMENT				527	347	180
ADULT INSTITUTIONS				998	539	459
COMMUNITY SERVICE AND LOCAL FACILITIES				97	78	19
<b>TOTAL JUSTICE</b>	<b>40,407</b>	<b>40,407</b>		<b>22,611</b>	<b>16,743</b>	<b>5,868</b>
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:						
OFFICE OF THE SECRETARY				2,129	1,951	178
KENTUCKY RIVER AUTHORITY						
ENVIRONMENTAL QUALITY COMMISSION						
KENTUCKY NATURE PRESERVES COMMISSION				30	17	13
DEPARTMENT FOR ENVIRONMENTAL PROTECTION				13,219	10,749	2,470
DEPARTMENT FOR NATURAL RESOURCES				2,627	1,579	1,048
DEPARTMENT FOR SURFACE MINING RECLAMATION AND ENFORCEMENT - SURFACE MINING RECLAMATION & ENFORCEMENT				15,428	14,309	1,119
AML RECLAMATION PROJECTS				22,456	5,223	17,233
<b>TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION</b>				<b>55,889</b>	<b>33,828</b>	<b>22,061</b>
PUBLIC PROTECTION AND REGULATION:						
BOARD OF CLAIMS AND CRIME VICTIMS COMPENSATION				351	247	104
BACKSIDE IMPROVEMENT COMMISSION						
KENTUCKY RACING COMMISSION				216	216	
PUBLIC SERVICE COMMISSION						
DEPARTMENT:						
FOR PUBLIC ADVOCACY				1,110	948	162
OF ALCOHOLIC BEVERAGE CONTROL						
OF FINANCIAL INSTITUTIONS						
OF HOUSING, BUILDING, AND CONSTRUCTION						
OF INSURANCE						
FOR MINES AND MINERALS				763	736	27

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
2,630	2,630		11,270	11,270	
24,613	24,613		821,466	821,466	
5,742	5,742		75,129	75,129	
100	100		100	100	
3,916		3,916	9,266	4,012	5,254
20,966	12,949	8,017	99,023	75,749	23,274
4,774	2,347	2,427	97,264	80,392	16,872
51,615	31,892	19,723	132,197	105,995	26,202
125	82	43	125	82	43
4,782	3,339	1,443	8,908	7,007	1,901
7,297	6,642	655	66,701	61,735	4,966
78,675	61,389	17,286	105,181	79,497	25,684
18,862	14,788	4,074	43,686	26,068	17,618
176,487	173,943	2,544	1,155,917	1,147,257	8,660
185	30	155	185	30	155
4,423	4,130	293	4,423	4,130	293
			2,731	2,425	306
<u>482,171</u>	<u>421,595</u>	<u>60,576</u>	<u>2,918,717</u>	<u>2,787,489</u>	<u>131,228</u>
1,955	1,644	311	7,571	6,774	797
7,370	6,619	751	55,491	52,427	3,064
3,699	1,132	2,567	11,358	6,380	4,978
20,860	20,074	786	20,860	20,074	786
222	210	12	749	557	192
4,227	2,186	2,041	5,225	2,725	2,500
451	330	121	548	408	140
<u>38,784</u>	<u>32,195</u>	<u>6,589</u>	<u>101,802</u>	<u>89,345</u>	<u>12,457</u>
874	454	420	3,003	2,405	598
1,303	869	434	1,303	869	434
17	7	10	17	7	10
652	507	145	682	524	158
18,287	15,656	2,631	31,506	26,405	5,101
5,599	3,232	2,367	8,226	4,811	3,415
5,638	3,624	2,014	21,066	17,933	3,133
			22,456	5,223	17,233
<u>32,370</u>	<u>24,349</u>	<u>8,021</u>	<u>88,259</u>	<u>58,177</u>	<u>30,082</u>
1,322	693	629	1,673	940	733
325	50	275	325	50	275
14,954	11,380	3,574	14,954	11,380	3,574
788	781	7	1,004	997	7
3,149	2,993	156	4,259	3,941	318
1,016	983	33	1,016	983	33
9,233	9,186	47	9,233	9,186	47
21,485	21,332	153	21,485	21,332	153
17,793	16,733	1,060	17,793	16,733	1,060
2,338	1,737	601	3,101	2,473	628

Continued

**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Transportation			Federal		
	Budget	Actual	Variance	Budget	Actual	Variance
LABOR CABINET -						
OFFICE OF THE SECRETARY						
OCCUPATIONAL SAFETY AND HEALTH						
REVIEW COMMISSION				170	158	12
WORKPLACE STANDARDS				2,791	2,640	151
TOTAL PUBLIC PROTECTION AND REGULATION				5,401	4,945	456
TRANSPORTATION:						
ADMINISTRATION & SUPPORT	57,578	53,195	4,383			
REVENUE SHARING	255,671	195,728	59,943			
AIR TRANSPORTATION				508	315	193
HIGHWAYS	1,001,018	430,432	570,586	996,218	286,125	710,093
HIGHWAYS-PUBLIC TRANSPORTATION				6,324	5,143	1,181
RAIL TRANSPORTATION				314	280	34
VEHICLE REGULATION	23,893	22,270	1,623	3,880	1,868	2,012
DEBT SERVICE	160,964	160,963	1			
TRANSFERS TO CAPITAL CONSTRUCTION	6,146	6,146				
ROAD FUND JUDGEMENTS	26,956	26,618	338			
1990 ECONOMIC DEVELOPMENT BOND PROJECTS						
TOTAL TRANSPORTATION	1,532,226	895,352	636,874	1,007,244	293,731	713,513
TOTAL EXPENDITURES	1,574,356	937,472	636,884	4,226,677	3,322,930	903,747
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(622,143)	23,577	645,720		9,130	
OTHER FINANCING SOURCES (USES):						
TURNPIKE AUTHORITY	1,257	1,257				
TOTAL OTHER FINANCING SOURCES (USES)	1,257	1,257				
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(620,886)	24,834			9,130	
FUND BALANCES AT JULY 1	623,110	623,110			14,525	
MOVED TO AGENCY REVENUE FUND					(2,350)	
MOVED FROM FEDERAL FUND						
MOVED TO FLEET MANAGEMENT FUND						
MOVED TO UNIVERSITIES						
NON-BUDGETED ITEMS		(10)	(10)		(9,680)	
FUND BALANCES AT JUNE 30	\$ 2,224	\$ 647,934	\$ 645,710	\$	\$ 11,625	\$

Agency Revenue			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
3,613	3,471	142	3,613	3,471	142
			170	158	12
			2,791	2,640	151
<u>76,016</u>	<u>69,339</u>	<u>6,677</u>	<u>81,417</u>	<u>74,284</u>	<u>7,133</u>
50		50	57,628	53,195	4,433
61	28	33	255,671	195,728	59,943
61,898	20,289	41,609	569	343	226
66		66	2,059,134	736,846	1,322,288
			6,390	5,143	1,247
4,992	2,670	2,322	314	280	34
			32,765	26,808	5,957
			160,964	160,963	1
			6,146	6,146	
258,173	53,389	204,784	26,956	26,618	338
			258,173	53,389	204,784
<u>325,240</u>	<u>76,376</u>	<u>248,864</u>	<u>2,864,710</u>	<u>1,265,459</u>	<u>1,599,251</u>
<u>2,403,613</u>	<u>1,780,145</u>	<u>623,468</u>	<u>8,204,646</u>	<u>6,040,547</u>	<u>2,164,099</u>
	<u>815,328</u>			<u>848,035</u>	
			1,257	1,257	
			1,257	1,257	
	815,328			849,292	
	777,921			1,415,556	
	2,350			(2,350)	
	(3,299)			2,350	
	(32,000)			(3,299)	
	(879,506)			(32,000)	
				(889,196)	
<u>\$</u>	<u>\$ 680,794</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,340,353</u>	<u>\$</u>

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## DEBT SERVICE FUND

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The **Debt Service Fund** accounts for payment of principal, interest, and administrative fees due on general long-term debt issues of the Commonwealth, and for the accumulation of financial resources used to make such payments.

**COMMONWEALTH OF KENTUCKY**  
**BALANCE SHEET**  
**DEBT SERVICE FUND**  
**JUNE 30, 1997**  
(Expressed in Thousands)

	<b>June 30, 1997</b>
<b>ASSETS</b>	
CASH AND CASH EQUIVALENTS	\$ 11,332
CASH WITH FISCAL AGENTS	23,726
INVESTMENTS, NET OF AMORTIZATION	314,456
RECEIVABLES, NET	95,908
INTERFUND RECEIVABLES	339
TOTAL ASSETS	<u>\$ 445,761</u>
<b>LIABILITIES AND FUND BALANCE</b>	
LIABILITIES:	
ACCOUNTS PAYABLE	\$ 345
INTERFUND PAYABLES	1,660
DEFERRED REVENUE	93,434
TOTAL LIABILITIES	<u>95,439</u>
FUND BALANCE:	
RESERVED FOR:	
REVENUE BOND RETIREMENT	302,466
DEPOSIT WITH FISCAL AGENTS	19,272
UNRESERVED:	
DESIGNATED FOR DEBT SERVICE	28,584
TOTAL FUND BALANCE	<u>350,322</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 445,761</u>

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**DEBT SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	<u>June 30, 1997</u>
REVENUES:	
CHARGES FOR SERVICES	\$ 2,735
INTEREST AND OTHER INVESTMENT INCOME	15,456
OTHER REVENUES	<u>2,100</u>
TOTAL REVENUES	<u>20,291</u>
EXPENDITURES:	
PRINCIPAL RETIREMENT	163,412
INTEREST AND FISCAL CHARGES	163,034
OTHER EXPENDITURES	<u>5,681</u>
TOTAL EXPENDITURES	<u>332,127</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(311,836)</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN - GENERAL FUND	183,272
OPERATING TRANSFERS IN - CAPITAL PROJECTS FUND	1,727
OPERATING TRANSFERS IN - AGENCY REVENUE FUND	1,929
OPERATING TRANSFERS IN - OTHER SPECIAL REVENUE FUND	153,676
OPERATING TRANSFERS IN - STATE FAIR BOARD FUND	371
OPERATING TRANSFERS OUT - GENERAL FUND	<u>(1,294)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>339,681</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	27,845
FUND BALANCE AT JULY 1, AS RESTATED	322,477
FUND BALANCE AT JUNE 30	<u>\$ 350,322</u>

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## CAPITAL PROJECTS FUND

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The **Capital Projects Fund** accounts for financial resources appropriated by the General Assembly for the acquisition, construction, or renovation of major capital facilities, and for the acquisition of major equipment other than that financed by proprietary funds, certain trust funds, and university and college funds.

**COMMONWEALTH OF KENTUCKY**  
**BALANCE SHEET**  
**CAPITAL PROJECTS FUND**  
**JUNE 30, 1997**  
(Expressed in Thousands)

	<u>June 30, 1997</u>
<b>ASSETS</b>	
CASH AND CASH EQUIVALENTS	\$ 50,995
INVESTMENTS, NET OF AMORTIZATION	278,789
RECEIVABLES, NET	13,484
INTERFUND RECEIVABLES	5,857
DUE FROM COMPONENT UNITS	37
TOTAL ASSETS	<u>\$ 349,162</u>
<b>LIABILITIES AND FUND BALANCE</b>	
LIABILITIES:	
ACCOUNTS PAYABLE	\$ 16,350
INTERFUND PAYABLES	591
DEFERRED REVENUE	16,583
TOTAL LIABILITIES	<u>33,524</u>
FUND BALANCE:	
RESERVED FOR:	
ENCUMBRANCES	62,509
CAPITAL OUTLAY	84,988
UNRESERVED:	
UNDESIGNATED	168,141
TOTAL FUND BALANCE	<u>315,638</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 349,162</u>

**COMMONWEALTH OF KENTUCKY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	<u>June 30, 1997</u>
REVENUES:	
INTERGOVERNMENTAL	\$ 11,161
INTEREST AND OTHER INVESTMENT INCOME	37,079
OTHER REVENUES	<u>756</u>
TOTAL REVENUES	<u>48,996</u>
EXPENDITURES:	
CAPITAL OUTLAY:	
GENERAL GOVERNMENT	12,804
LEGISLATIVE AND JUDICIAL	13
COMMERCE	52,356
EDUCATION AND HUMANITIES	6,218
HUMAN RESOURCES	4,067
JUSTICE	14,056
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	5,492
PUBLIC PROTECTION AND REGULATION	538
TRANSPORTATION	<u>4,211</u>
TOTAL EXPENDITURES	<u>99,755</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(50,759)</u>
OTHER FINANCING SOURCES (USES):	
OPERATING TRANSFERS IN	48,275
OPERATING TRANSFERS OUT	(8,633)
PROCEEDS FROM SALE OF BONDS :	
NEW ISSUES	<u>7,413</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>47,055</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,704)
FUND BALANCE AT JULY 1, AS RESTATED	319,342
FUND BALANCE AT JUNE 30	<u>\$ 315,638</u>

**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF CONSTRUCTION IN PROGRESS  
CAPITAL PROJECTS FUND - (BUDGETARY BASIS)  
FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Appropriations		Expenditures		Unexpended Balances
	To Date	Prior Years	Current Year	Totals	
<b>GENERAL GOVERNMENT:</b>					
CABINET OF THE GENERAL GOVERNMENT	\$ 151,370	\$ 31,481	\$ 11,022	\$ 42,503	\$ 108,867
REVENUE CABINET	750	180	569	749	1
FINANCE AND ADMINISTRATION CABINET	275,209	108,155	15,352	123,507	151,702
CABINET FOR UNIVERSITIES	2,578,290	781,262	60,418	841,680	1,736,610
TOTAL GENERAL GOVERNMENT	3,005,619	921,078	87,361	1,008,439	1,997,180
<b>LEGISLATIVE AND JUDICIAL:</b>					
LEGISLATIVE CABINET	3,524	3,203	13	3,216	308
TOTAL LEGISLATIVE AND JUDICIAL	3,524	3,203	13	3,216	308
<b>COMMERCE:</b>					
CABINET FOR ECONOMIC DEVELOPMENT	106,407	25,112	18,894	44,006	62,401
TOURISM CABINET	223,622	45,034	41,684	86,718	136,904
TOTAL COMMERCE	330,029	70,146	60,578	130,724	199,305
<b>EDUCATION AND HUMANITIES:</b>					
EDUCATION, ARTS AND HUMANITIES CABINET	57,874	19,504	7,257	26,761	31,113
CABINET FOR WORKFORCE DEVELOPMENT	61,614	39,836	2,048	41,884	19,730
TOTAL EDUCATION AND HUMANITIES	119,488	59,340	9,305	68,645	50,843
<b>HUMAN RESOURCES:</b>					
CABINET FOR HUMAN RESOURCES	10,135	10,135		10,135	
CABINET FOR FAMILIES AND CHILDREN	15,801	3,861	1,385	5,246	10,555
CABINET FOR HEALTH SERVICES	25,569	19,217	2,999	22,216	3,353
TOTAL HUMAN RESOURCES	51,505	33,213	4,384	37,597	13,908
<b>JUSTICE:</b>					
JUSTICE CABINET	124,438	61,575	13,991	75,566	48,872
TOTAL JUSTICE	124,438	61,575	13,991	75,566	48,872
<b>NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION:</b>					
NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION CABINET	48,676	9,489	5,325	14,814	33,862
TOTAL NATURAL RESOURCES AND ENVIRONMENTAL PROTECTION	48,676	9,489	5,325	14,814	33,862
<b>PUBLIC PROTECTION AND REGULATION:</b>					
PUBLIC PROTECTION AND REGULATION CABINET	6,440	825	96	921	5,519
LABOR CABINET	1,806	1,352	442	1,794	12
TOTAL PUBLIC PROTECTION AND REGULATION	8,246	2,177	538	2,715	5,531
<b>TRANSPORTATION:</b>					
TRANSPORTATION CABINET	38,327	19,784	4,352	24,136	14,191
TOTAL TRANSPORTATION	38,327	19,784	4,352	24,136	14,191
TOTAL PROJECTS	\$ 3,729,852	\$ 1,180,005	\$ 185,847	\$ 1,365,852	\$ 2,364,000

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## ENTERPRISE FUNDS

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The **Enterprise Funds** - account for those public corporations empowered by the Kentucky Revised Statutes (KRS) to provide certain services to the citizens of Kentucky and the operation of State agencies that provide goods or services to the general public on a user charge basis. The State enterprise operations are described below.

**State Parks Fund** - accounts for revenues earned and expenses incurred in the commercial operations of the Department of Parks.

**Kentucky Lottery Corporation** - empowered by KRS 154A to administer the Kentucky state lottery created pursuant to amended Section 226 of the Constitution of Kentucky as ratified by the voters of the Commonwealth.

**Industries for the Blind Fund** - accounts for revenues earned and expenses incurred in the commercial operations of the Department for the Blind.

**State Horse Park Fund** - accounts for revenues earned and expenses incurred in the commercial operations of the Kentucky Horse Park.

**Insurance Administration Fund** - accounts for insurance risk pools operated by the State. These include:

**Kentucky Kare** - a self insured health care plan offered to employees of the State, local boards of education, local health departments, and retirees under the age of 65.

**Workers' Compensation Special Fund** - provides benefits for workers with illnesses which are not attributable to one employer.

**Coal Workers Pneumoconiosis Fund** - provides benefits for workers with pneumoconiosis resulting from exposure to coal dust created in the severance or processing of coal.

**Petroleum Storage Tank Environmental Assurance Program** - provides for the clean-up of leaking underground storage tanks in amounts that exceed the insurance coverage required of the owners and operators.

**Mine Subsidence Insurance Program** - provides coverage against losses arising out of or due to mine subsidence within this state.

**Bond Pool Program** - provides coverage to reclaim surface mined land when the permit holder has forfeited bonds posted for such purpose.

**COMMONWEALTH OF KENTUCKY**  
**COMBINING BALANCE SHEET**  
**ENTERPRISE FUNDS**  
**JUNE 30, 1997**  
(Expressed in Thousands)

	State Parks	Kentucky Lottery Corporation	Industries for the Blind	Horse Park	Insurance Administration	Totals June 30, 1997
<b>ASSETS</b>						
CASH AND CASH EQUIVALENTS	\$ 3,656	\$ 23,934	\$ 47	\$ 438	\$ 76,522	\$ 104,597
INVESTMENTS, NET OF AMORTIZATION		36,250				36,250
RECEIVABLES, NET	690	16,747	277	190	24,260	42,164
INTERFUND RECEIVABLES	222		18	20	1,033	1,293
INTEREST RECEIVABLE					4,064	4,064
INVENTORIES	3,344	1,890	228	367	28	5,857
PREPAID EXPENSES	13	2,569		5		2,587
TOTAL CURRENT ASSETS	7,925	81,390	570	1,020	105,907	196,812
OTHER ASSETS:						
LONG TERM INVESTMENTS	4,003	293,622	244	58	457,102	755,029
LONG-TERM RECEIVABLES		3,312				3,312
TOTAL OTHER ASSETS	4,003	296,934	244	58	457,102	758,341
FIXED ASSETS:						
LAND	11,112	423	50	2,954		14,539
IMPROVEMENTS OTHER THAN BUILDINGS	43,083	538		13,753		57,374
BUILDINGS	82,492		988	14,655		98,135
MACHINERY AND EQUIPMENT	8,621	43,532	151	2,421	1,313	56,038
LESS: ACCUMULATED DEPRECIATION	(68,965)	(39,374)	(798)	(19,277)	(587)	(129,001)
CONSTRUCTION IN PROGRESS	47,718	4,835		339		52,892
TOTAL FIXED ASSETS, NET	124,061	9,954	391	14,845	726	149,977
TOTAL ASSETS	\$ 135,989	\$ 388,278	\$ 1,205	\$ 15,923	\$ 563,735	\$ 1,105,130
<b>LIABILITIES AND FUND BALANCE</b>						
CURRENT LIABILITIES:						
ACCOUNTS PAYABLE	\$ 3,421	\$ 5,244	\$ 32	\$ 319	\$ 5,737	\$ 14,753
INTERFUND PAYABLES	1,121			81	185	1,387
CLAIMS LIABILITY					197,282	197,282
CLAIMS ADJUSTMENT LIABILITY					7,257	7,257
CAPITAL LEASE OBLIGATIONS	100			2		102
NOTES PAYABLE		1,017				1,017
LONG-TERM DEBT		55,310				55,310
COMPENSATED ABSENCES	1,909	533	23	226	899	3,590
DEFERRED REVENUE	24		3	61	727	815
TOTAL CURRENT LIABILITIES	6,575	62,104	58	689	212,087	281,513
LONG-TERM LIABILITIES:						
CLAIMS LIABILITY					1,462,793	1,462,793
CLAIMS ADJUSTMENT LIABILITY					41,904	41,904
CAPITAL LEASE OBLIGATIONS	88					88
NOTES PAYABLE		5,770				5,770
COMPENSATED ABSENCES	2,076		29	171	576	2,852
OTHER LIABILITIES	1,135	294,383				295,518
TOTAL LONG-TERM LIABILITIES	3,299	300,153	29	171	1,505,273	1,808,925
TOTAL LIABILITIES	9,874	362,257	87	860	1,717,360	2,090,438
FUND EQUITY:						
CONTRIBUTED CAPITAL	78,403			14,401		92,804
RETAINED EARNINGS:						
UNRESERVED	47,712	26,021	1,118	662	(1,153,625)	(1,078,112)
TOTAL FUND EQUITY	126,115	26,021	1,118	15,063	(1,153,625)	(985,308)
TOTAL LIABILITIES AND FUND EQUITY	\$ 135,989	\$ 388,278	\$ 1,205	\$ 15,923	\$ 563,735	\$ 1,105,130

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	State Parks	Kentucky Lottery Corporation	Industries for the Blind	Horse Park	Insurance Administration	Totals June 30, 1997
OPERATING REVENUES:						
CHARGES FOR SERVICES	\$ 37,382	\$	\$ 1,620	\$ 3,733	\$ 253,061	\$ 295,796
INTEREST AND OTHER INVESTMENT INCOME					36,820	36,820
LOTTERY PROCEEDS		569,055				569,055
OTHER REVENUES	261			18	6,049	6,328
TOTAL OPERATING REVENUES	<u>37,643</u>	<u>569,055</u>	<u>1,620</u>	<u>3,751</u>	<u>295,930</u>	<u>907,999</u>
OPERATING EXPENSES:						
PERSONAL EXPENSES	40,272	9,429	1,125	3,289	23,161	77,276
UTILITIES, RENTALS, AND OTHER SERVICES	10,429	1,131	180	1,057	2,694	15,491
COMMODITIES AND SUPPLIES	20,347	234	870	1,297	1,891	24,639
GRANTS AND SUBSIDIES	25		151			176
DEPRECIATION AND AMORTIZATION	3,863	2,596	30	527	156	7,172
TRAVEL	351	596	1	10	632	1,590
CLAIMS EXPENSE	209				369,751	369,960
CLAIMS ADJUSTMENT EXPENSE						
PRIZE EXPENSE		339,868				339,868
OTHER EXPENSES		63,160			256	63,416
TOTAL OPERATING EXPENSES	<u>75,496</u>	<u>417,014</u>	<u>2,357</u>	<u>6,180</u>	<u>398,541</u>	<u>899,588</u>
OPERATING INCOME (LOSS)	<u>(37,853)</u>	<u>152,041</u>	<u>(737)</u>	<u>(2,429)</u>	<u>(102,611)</u>	<u>8,411</u>
NONOPERATING REVENUES (EXPENSES)						
GAIN (LOSS) ON SALE OF FIXED ASSETS	(45)			4		(41)
INTEREST AND OTHER INVESTMENT INCOME	32	1,689	1		5,646	7,368
CHANGE IN ACTUARIAL ESTIMATE					21,036	21,036
INTEREST EXPENSE		(1)		(1)		(2)
OTHER REVENUES (EXPENSE)	2					2
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(11)</u>	<u>1,688</u>	<u>1</u>	<u>3</u>	<u>26,682</u>	<u>28,363</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>(37,864)</u>	<u>153,729</u>	<u>(736)</u>	<u>(2,426)</u>	<u>(75,929)</u>	<u>36,774</u>
OPERATING TRANSFERS IN	33,985		880	1,752	37	36,654
OPERATING TRANSFERS OUT	(1,121)	(151,000)			(5,892)	(158,013)
NET INCOME (LOSS)	(5,000)	2,729	144	(674)	(81,784)	(84,585)
ADD DEPRECIATION ON FIXED ASSETS						
ACQUIRED BY CAPITAL GRANTS	1,232			566		1,798
INCREASE (DECREASE) IN RETAINED EARNINGS	(3,768)	2,729	144	(108)	(81,784)	(82,787)
RETAINED EARNINGS AT JULY 1, AS RESTATED	51,480	23,292	974	770	(1,071,841)	(995,325)
RETAINED EARNINGS AT JUNE 30	<u>\$ 47,712</u>	<u>\$ 26,021</u>	<u>\$ 1,118</u>	<u>\$ 662</u>	<u>\$ (1,153,625)</u>	<u>\$ (1,078,112)</u>

**COMMONWEALTH OF KENTUCKY  
COMBINING STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997  
(Expressed in Thousands)**

	State Parks	Lottery Corporation
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 36,938	\$ 572,241
CASH RECEIVED FROM CUSTOMERS - STATE	1,071	
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(29,885)	(60,214)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(40,294)	(9,429)
CASH PAYMENTS FOR CLAIMS EXPENSE	(208)	(339,868)
CASH PAYMENTS (TO) FROM OTHER SOURCES	263	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>(32,115)</u>	<u>162,730</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
OPERATING TRANSFERS-IN FROM OTHER FUNDS	33,985	
OPERATING TRANSFERS-OUT TO OTHER FUNDS	(1,121)	(151,000)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>32,864</u>	<u>(151,000)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(919)	(207)
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS		(500)
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS		(1)
PROCEEDS FROM SALE OF EQUIPMENT		320
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(919)</u>	<u>(388)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
PURCHASE OF INVESTMENT SECURITIES	(2,448)	(38,293)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES		31,711
INTEREST AND DIVIDENDS ON INVESTMENTS	32	1,369
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,416)</u>	<u>(5,213)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,586)	6,129
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,242	17,805
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,656</u>	<u>\$ 23,934</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
OPERATING INCOME (LOSS)	\$ (37,853)	\$ 152,041
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION AND AMORTIZATION	3,863	2,596
INTEREST AND OTHER INVESTMENT INCOME		
MISCELLANEOUS NONOPERATING INCOME (EXPENSE)	3	
CHANGE IN ASSETS AND LIABILITIES:		
(INCREASE) DECREASE IN ASSETS		
RECEIVABLES, NET	717	3,077
INTERFUND RECEIVABLES	(108)	
INVENTORIES	305	1,154
PREPAID EXPENSES	3	(117)
OTHER ASSETS		(2,260)
INCREASE (DECREASE) IN LIABILITIES		
ACCOUNTS PAYABLE	(97)	6,205
INTERFUND PAYABLES	680	
CLAIMS LIABILITY		
COMPENSATED ABSENCES	354	34
OTHER LIABILITIES		
DEFERRED REVENUE	18	
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ (32,115)</u>	<u>\$ 162,730</u>

THROUGH CONTRIBUTED CAPITAL, STATE PARKS, AND HORSE PARK ACQUIRED FIXED ASSETS COSTING \$30,236,(000), AND \$781,(000), RESPECTIVELY. FOR THE LOTTERY CORPORATION, THE ACCRETION OF INTEREST ON GRAND PRIZE INVESTMENTS, WHICH ALSO INCREASED THE ESTIMATED PRIZE LIABILITY, TOTALED APPROXIMATELY \$17,566,(000) FOR THE YEAR.

Industries for the Blind	Horse Park	Insurance Administration	Totals June 30, 1997
\$ 414	\$ 3,848	\$ 263,995	\$ 877,436
1,138	67		2,276
(1,094)	(2,308)	(6,410)	(99,911)
(1,124)	(3,281)	(21,742)	(75,870)
		(284,738)	(624,814)
(151)	18	(5,164)	(5,034)
(817)	(1,656)	(54,059)	74,083
880	1,751	256	36,872
		(4,061)	(156,182)
880	1,751	(3,805)	(119,310)
	(7)	(166)	(1,299)
	(1)		(500)
(1)	(1)		(3)
			320
(1)	(8)	(166)	(1,482)
(124)	(43)	(954,371)	(995,279)
		928,463	960,174
1		25,485	26,887
(123)	(43)	(423)	(8,218)
(61)	44	(58,453)	(54,927)
108	394	134,975	159,524
<u>\$ 47</u>	<u>\$ 438</u>	<u>\$ 76,522</u>	<u>\$ 104,597</u>
\$ (737)	\$ (2,429)	\$ (102,611)	\$ 8,411
30	528	156	7,173
		(32,118)	(32,118)
			3
(74)	139	5,216	9,075
4	(18)	998	876
(24)	(55)	(9)	1,371
	8		(106)
			(2,260)
(19)	62	(651)	5,500
(1)	30	(6,611)	(5,902)
		85,045	85,045
2	18	195	603
		(4,255)	(4,255)
2	61	586	667
<u>\$ (817)</u>	<u>\$ (1,656)</u>	<u>\$ (54,059)</u>	<u>\$ 74,083</u>

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	State Parks			Industries For The Blind		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
LICENSES, FEES, AND PERMITS	\$	\$	\$	\$	\$	\$
CHARGES FOR SERVICES		38,269			1,608	
FINES AND FORFEITS		2				
INTEREST AND OTHER INVESTMENT INCOME		42				
OTHER REVENUES		306				
TRANSFERS IN (INTERFUND)						
TRANSFERS IN (INTRAFUND)		653				
TOTAL REVENUES		39,272			1,608	
EXPENSES:						
GENERAL GOVERNMENT:						
OFFICE OF THE ATTORNEY GENERAL						
PERSONNEL CABINET						
FINANCE AND ADMINISTRATION						
COMMERCE	38,872	38,392	480			
EDUCATION AND HUMANITIES				1,832	1,467	365
NATURAL RESOURCES AND						
ENVIRONMENTAL PROTECTION:						
DEPT FOR SURFACE MINING						
RECLAMATION & ENFORCEMENTS						
DEPARTMENT FOR SURFACE MINING						
RECLAMATION AND ENFORCEMENT						
PUBLIC PROTECTION AND REGULATION:						
SECRETARY'S OFFICE						
DEPARTMENT OF INSURANCE						
LABOR CABINET:						
KENTUCKY OCCUPATIONAL SAFETY &						
HEALTH REVIEW COMMISSION						
DEPARTMENT OF WORKPLACE						
STANDARDS						
DEPARTMENT OF WORKERS CLAIMS						
WORKERS COMPENSATION FUNDING						
COMMISSION						
TOTAL EXPENSES	38,872	38,392	480	1,832	1,467	365
EXCESS OF REVENUES OVER						
(UNDER) EXPENSES		880			141	
FUND BALANCES/FUND EQUITY AT JULY 1		87,300			764	
FIXED ASSET ALLOCATION		13,642			(56)	
NON-BUDGETED ITEMS		(653)				
FUND BALANCES/FUND EQUITY AT JUNE 30	\$	\$ 101,169	\$	\$	\$ 849	\$

Horse Park			Insurance Administration			Totals		
Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
\$	\$ 3,923	\$	\$	\$ 91	\$	\$	\$ 91	\$
				151,078			194,878	
				894			896	
				6,926			6,968	
	27			5,359			5,692	
				41,907			41,907	
				173,499			174,152	
	<u>3,950</u>			<u>379,754</u>			<u>424,584</u>	
			6,509	3,523	2,986	6,509	3,523	2,986
			1,125	1,089	36	1,125	1,089	36
			201	92	109	201	92	109
3,908	3,899	9				38,872	38,392	480
						5,740	5,366	374
			1,167	547	620	1,167	547	620
			31,883	26,594	5,289	31,883	26,594	5,289
			362	168	194	362	168	194
			273	248	25	273	248	25
			182,090	132,804	49,286	182,090	132,804	49,286
			12,138	11,057	1,081	12,138	11,057	1,081
			<u>202,623</u>	<u>137,175</u>	<u>65,448</u>	<u>202,623</u>	<u>137,175</u>	<u>65,448</u>
<u>3,908</u>	<u>3,899</u>	<u>9</u>	<u>438,371</u>	<u>313,297</u>	<u>125,074</u>	<u>482,983</u>	<u>357,055</u>	<u>125,928</u>
	51			66,457			67,529	
	15,852			145,924			249,840	
	(856)			930			13,660	
				(52,416)			(53,069)	
<u>\$</u>	<u>\$ 15,047</u>	<u>\$</u>	<u>\$</u>	<u>\$ 160,895</u>	<u>\$</u>	<u>\$</u>	<u>\$ 277,960</u>	<u>\$</u>



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## INTERNAL SERVICE FUNDS

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**Internal Service Funds** account for the financing of goods and services provided on a cost reimbursement basis by one agency of the Commonwealth to other state agencies or governments. Kentucky uses the following Internal Service Funds:

**Fleet Management Fund** - accounts for expenses incurred and reimbursements received by the Transportation Cabinet for the management and maintenance of the state's motor vehicle fleet.

**Computer Services Fund** - accounts for expenses incurred and reimbursements received by the Department of Information Systems for computer and related data processing services.

**Central Stores Fund** - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Central Stores operation.

**Telecommunications Fund** - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Division of Telecommunications for Kentucky Emergency Warning System, telephone, and other communication services.

**Prison Industries Fund** - accounts for expenses incurred and reimbursements received by the Correction Cabinet's industrial prison operations.

**Central Printing Fund** - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's Division of Printing.

**Property Management Fund** - accounts for expenses incurred and reimbursements received by the Finance and Administration Cabinet's space rental and maintenance operation.

**Risk Management Fund** - accounts for the self insurance operations of the State which include:

***Fire and Tornado Insurance Program*** - accounts for monies received by the Department of Insurance from State agencies and expended for insuring State property against loss from fires, tornadoes, etc.

***State Workers' Compensation Program*** - accounts for monies received by the Department of Personnel from State agencies and expended for claims for job related injuries to State employees.

***Transportation Cabinet's Self-Insured Workers' Compensation Trust Program*** - provides workers' compensation insurance for the employees of the Transportation Cabinet.

**COMMONWEALTH OF KENTUCKY  
COMBINING BALANCE SHEET  
INTERNAL SERVICE FUNDS  
JUNE 30, 1997**

(Expressed in Thousands)

<b>ASSETS</b>	<b>Fleet Management</b>	<b>Computer Services</b>	<b>Central Stores</b>
<b>CURRENT ASSETS:</b>			
CASH AND CASH EQUIVALENTS	\$ 582	\$ 1,182	\$ 253
RECEIVABLES, NET	136	126	11
INTERFUND RECEIVABLES	842	2,940	28
INVENTORIES		467	1,483
PREPAID EXPENSES		254	
TOTAL CURRENT ASSETS	<u>1,560</u>	<u>4,969</u>	<u>1,775</u>
<b>OTHER ASSETS:</b>			
LONG-TERM INVESTMENTS	1,458	259	224
TOTAL OTHER ASSETS	<u>1,458</u>	<u>259</u>	<u>224</u>
<b>FIXED ASSETS:</b>			
LAND			40
IMPROVEMENTS OTHER THAN BUILDINGS			3
BUILDINGS		5,360	530
MACHINERY AND EQUIPMENT	39,442	45,950	62
LESS: ACCUMULATED DEPRECIATION	(6,548)	(43,685)	(465)
TOTAL FIXED ASSETS, NET	<u>32,894</u>	<u>7,625</u>	<u>170</u>
TOTAL ASSETS	<u>\$ 35,912</u>	<u>\$ 12,853</u>	<u>\$ 2,169</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
ACCOUNTS PAYABLE	\$ 634	\$ 2,511	\$ 294
INTERFUND PAYABLES	27	1,353	16
CLAIMS LIABILITY			
CAPITAL LEASE OBLIGATIONS	1,671	2,011	
COMPENSATED ABSENCES		1,820	65
DEFERRED REVENUE	13	19	2
TOTAL CURRENT LIABILITIES	<u>2,345</u>	<u>7,714</u>	<u>377</u>
<b>LONG-TERM LIABILITIES:</b>			
CLAIMS LIABILITY			
CAPITAL LEASE OBLIGATIONS	5,111	866	
COMPENSATED ABSENCES		1,661	2
TOTAL LONG-TERM LIABILITIES	<u>5,111</u>	<u>2,527</u>	<u>2</u>
TOTAL LIABILITIES	<u>7,456</u>	<u>10,241</u>	<u>379</u>
<b>FUND EQUITY:</b>			
CONTRIBUTED CAPITAL	17,133		
<b>RETAINED EARNINGS:</b>			
UNRESERVED	11,323	2,612	1,790
TOTAL FUND EQUITY	<u>28,456</u>	<u>2,612</u>	<u>1,790</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 35,912</u>	<u>\$ 12,853</u>	<u>\$ 2,169</u>

<u>Telecom- munications</u>	<u>Prison Industries</u>	<u>Central Printing</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>Totals June 30, 1997</u>
\$ 410	\$ 577	\$ 269	\$ 974	\$ 5,563	\$ 9,810
68	254	71	123	2,083	2,872
776	2,888	903	910	76	9,363
5	2,955	305			5,215
				649	903
<u>1,259</u>	<u>6,674</u>	<u>1,548</u>	<u>2,007</u>	<u>8,371</u>	<u>28,163</u>
1,028	495	236	1,108	14,687	19,495
<u>1,028</u>	<u>495</u>	<u>236</u>	<u>1,108</u>	<u>14,687</u>	<u>19,495</u>
	768		269		1,077
356			11		370
1,559	2,538		752		10,739
15,277	3,967	1,683	1,353		107,734
(16,177)	(4,094)	(1,277)	(1,047)		(73,293)
<u>1,015</u>	<u>3,179</u>	<u>406</u>	<u>1,338</u>		<u>46,627</u>
<u>\$ 3,302</u>	<u>\$ 10,348</u>	<u>\$ 2,190</u>	<u>\$ 4,453</u>	<u>\$ 23,058</u>	<u>\$ 94,285</u>
\$ 962	\$ 904	\$ 277	\$ 580	\$ 1,717	\$ 7,879
223	70	402	55	2,810	4,956
				15,210	15,210
1		63			3,746
	161	124	533	21	2,724
9	46	111	6	52	258
<u>1,195</u>	<u>1,181</u>	<u>977</u>	<u>1,174</u>	<u>19,810</u>	<u>34,773</u>
				60,282	60,282
		71			6,048
	151	149	461		2,424
	151	220	461	60,282	68,754
<u>1,195</u>	<u>1,332</u>	<u>1,197</u>	<u>1,635</u>	<u>80,092</u>	<u>103,527</u>
	280		479		17,892
<u>2,107</u>	<u>8,736</u>	<u>993</u>	<u>2,339</u>	<u>(57,034)</u>	<u>(27,134)</u>
2,107	9,016	993	2,818	(57,034)	(9,242)
<u>\$ 3,302</u>	<u>\$ 10,348</u>	<u>\$ 2,190</u>	<u>\$ 4,453</u>	<u>\$ 23,058</u>	<u>\$ 94,285</u>

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	Fleet Management	Computer Services	Central Stores
<b>OPERATING REVENUES:</b>			
CHARGES FOR SERVICES	\$ 18,591	\$ 35,869	\$ 9,372
OTHER REVENUES	86	11	
TOTAL OPERATING REVENUE	<u>18,677</u>	<u>35,880</u>	<u>9,372</u>
<b>OPERATING EXPENSES:</b>			
PERSONAL SERVICES	1,415	25,218	534
UTILITIES, RENTALS, AND OTHER SERVICES	1,192	3,725	374
COMMODITIES AND SUPPLIES	7,209	7,748	8,356
GRANTS AND SUBSIDIES			1
DEPRECIATION AND AMORTIZATION	6,548	2,538	17
TRAVEL	2	86	
REINSURANCE EXPENSE			
CLAIMS EXPENSE			
TOTAL OPERATING EXPENSES	<u>16,366</u>	<u>39,315</u>	<u>9,282</u>
OPERATING INCOME (LOSS)	<u>2,311</u>	<u>(3,435)</u>	<u>90</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
GAIN (LOSS) ON SALE OF FIXED ASSETS	1,769	(8)	
INTEREST AND OTHER INVESTMENT INCOME	6	2	1
INTEREST EXPENSE	(393)	(160)	
TOTAL NONOPERATING REVENUES AND EXPENSES	<u>1,382</u>	<u>(166)</u>	<u>1</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	3,693	(3,601)	91
OPERATING TRANSFERS IN		5,906	
OPERATING TRANSFERS OUT		(334)	
NET INCOME (LOSS)	3,693	1,971	91
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	<u>4,332</u>		
INCREASE (DECREASE) IN RETAINED EARNINGS	8,025	1,971	91
RETAINED EARNINGS AT JULY 1, AS RESTATED		641	1,699
RESIDUAL EQUITY TRANSFER IN (OUT)	3,298		
RETAINED EARNINGS AT JUNE 30	<u>\$ 11,323</u>	<u>\$ 2,612</u>	<u>\$ 1,790</u>

<u>Telecom- munications</u>	<u>Prison Industries</u>	<u>Central Printing</u>	<u>Property Management</u>	<u>Risk Management</u>	<u>Totals June 30, 1997</u>
\$ 9,017	\$ 10,401	\$ 4,586	\$ 15,742	\$ 19,442	\$ 123,020
	7		40	375	519
<u>9,017</u>	<u>10,408</u>	<u>4,586</u>	<u>15,782</u>	<u>19,817</u>	<u>123,539</u>
2,145	2,558	2,083	9,088	1,394	44,435
6,484	761	899	7,424	1,255	22,114
290	5,846	1,469	1,735	99	32,752
	691				692
114	287	181	147		9,832
25	48	1	71	19	252
				2,127	2,127
				21,824	21,824
<u>9,058</u>	<u>10,191</u>	<u>4,633</u>	<u>18,465</u>	<u>26,718</u>	<u>134,028</u>
(41)	217	(47)	(2,683)	(6,901)	(10,489)
	(15)	(93)	5		1,658
1	3	2	3		18
		(14)			(567)
<u>1</u>	<u>(12)</u>	<u>(105)</u>	<u>8</u>		<u>1,109</u>
(40)	205	(152)	(2,675)	(6,901)	(9,380)
238	150		2,156	22,016	30,466
<u>(84)</u>	<u>(896)</u>	<u>(83)</u>		<u>(20,954)</u>	<u>(22,351)</u>
114	(541)	(235)	(519)	(5,839)	(1,265)
	47		26		4,405
114	(494)	(235)	(493)	(5,839)	3,140
1,993	9,230	1,228	2,832	(51,195)	(33,572)
					3,298
<u>\$ 2,107</u>	<u>\$ 8,736</u>	<u>\$ 993</u>	<u>\$ 2,339</u>	<u>\$ (57,034)</u>	<u>\$ (27,134)</u>

**COMMONWEALTH OF KENTUCKY  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997  
(Expressed in Thousands)**

	<u>Fleet Management</u>	<u>Computer Services</u>	<u>Central Stores</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$	\$ 40	\$
CASH RECEIVED FROM CUSTOMERS - STATE	18,591	34,780	9,348
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(8,088)	(10,594)	(8,798)
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(1,373)	(24,927)	(526)
CASH PAYMENTS FOR CLAIMS EXPENSE			
CASH PAYMENTS (TO) FROM OTHER SOURCES	86	12	(1)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>9,216</u>	<u>(689)</u>	<u>23</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
RESIDUAL EQUITY TRANSFER IN	3,298	5,906	
OPERATING TRANSFERS-IN FROM OTHER FUNDS			
OPERATING TRANSFERS-OUT TO OTHER FUNDS		(334)	
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>3,298</u>	<u>5,572</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(9,608)	(3,970)	
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	(1,587)		
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS	(393)	(160)	
PROCEEDS FROM SALE OF EQUIPMENT	1,114		
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(10,474)</u>	<u>(4,130)</u>	
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
PURCHASE OF INVESTMENT SECURITIES	(1,458)		(89)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES		92	
INTEREST AND DIVIDENDS ON INVESTMENTS		1	1
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,458)</u>	<u>93</u>	<u>(88)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	582	846	(65)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		336	318
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 582</u>	<u>\$ 1,182</u>	<u>\$ 253</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
OPERATING INCOME (LOSS)	\$ 2,311	\$ (3,435)	\$ 90
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
DEPRECIATION AND AMORTIZATION	6,548	2,538	17
INTEREST AND OTHER INVESTMENT INCOME			
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)	6	(8)	
CHANGE IN ASSETS AND LIABILITIES:			
(INCREASE) DECREASE IN ASSETS			
RECEIVABLES, NET	(136)	17	(3)
INTERFUND RECEIVABLES	(187)	892	(22)
INVENTORIES		437	(138)
PREPAID EXPENSES		109	
OTHER ASSETS		320	
INCREASE (DECREASE) IN LIABILITIES			
ACCOUNTS PAYABLE	634	660	57
INTERFUND PAYABLES	27	765	13
CLAIMS LIABILITY			
COMPENSATED ABSENCES		377	8
OTHER LIABILITIES		(3,221)	
DEFERRED REVENUE	13	(140)	1
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 9,216</u>	<u>\$ (689)</u>	<u>\$ 23</u>

THROUGH CONTRIBUTED CAPITAL FLEET MANAGEMENT AND PROPERTY MANAGEMENT ACQUIRED ASSETS COSTING \$24,109,(000) AND \$93,(000), RESPECTIVELY. THROUGH CAPITAL LEASES FLEET MANAGEMENT ACQUIRED FIXED ASSETS COSTING \$27,(000), WITH PRINCIPAL AND INTEREST PAYMENTS OF \$5,(000) AND \$1,(000),RESPECTIVELY. THROUGH CAPITAL LEASES COMPUTER SERVICES ACQUIRED FIXED ASSETS COSTING \$40,(000), WITH PRINCIPAL AND INTEREST PAYMENTS OF \$10,(000) AND \$1,(000), RESPECTIVELY.

Telecom- munications	Prison Industries	Central Printing	Property Management	Risk Management	Totals June 30, 1997
\$	\$	\$	\$	\$	\$
9,518	10,402	4,313	42	19,702	82
(7,110)	(7,308)	(1,823)	15,381	(2,402)	122,035
(2,472)	(2,484)	(2,039)	(8,908)	(891)	(55,031)
	7		(9,150)	(15,240)	(43,862)
			40	(1,339)	(15,240)
	617	451	(2,595)	(170)	(1,195)
(64)					6,789
					9,204
238	150		2,156	4,441	6,985
(84)	(896)	(83)		(3,379)	(4,776)
154	(746)	(83)	2,156	1,062	11,413
(5)	(177)	(117)	(149)		(14,026)
		(14)			(1,587)
	(15)				(567)
					1,099
(5)	(192)	(131)	(149)		(15,081)
(640)	(87)	(163)	(107)	(6,127)	(8,671)
1		2	2	368	92
(639)	(87)	(161)	(105)	(5,759)	375
					(8,204)
(554)	(408)	76	(693)	(4,867)	(5,083)
964	985	193	1,667	10,430	14,893
\$ 410	\$ 577	\$ 269	\$ 974	\$ 5,563	\$ 9,810
\$ (41)	\$ 217	\$ (47)	\$ (2,683)	\$ (6,901)	\$ (10,489)
114	287	181	147		9,832
	(12)			(368)	(368)
					(14)
72	(40)	(33)	(108)	(452)	(683)
422	32	(350)	(212)	(22)	553
	(28)	74	259		604
			59	(37)	131
					320
(138)	406	103	56	573	2,351
(197)	(306)	368	(123)	788	1,335
				6,223	6,223
(302)	55	45	9	9	201
					(3,221)
6	6	110	1	17	14
(64)	617	451	(2,595)	(170)	6,789

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Budget	Actual	Variance
<b>TRANSPORTATION - FLEET MANAGEMENT</b>			
REVENUES:			
OTHER REVENUES	\$	\$ 19,705	\$
TOTAL REVENUES		19,705	
EXPENSES:	20,890	20,798	92
EXCESS OF REVENUES OVER (UNDER) EXPENSES		(1,093)	
FUND EQUITY AT JULY 1		3,298	
MOVED FROM AGENCY REVENUE FUND		3,298	
FUND EQUITY AT JUNE 30	\$	\$ 2,205	\$
<b>GENERAL GOVERNMENT - COMPUTER SERVICES</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 35,743	\$
FINES AND FORFEITS		1	
OTHER REVENUES		10	
TRANSFERS IN (INTERFUND)		1	
TOTAL REVENUES		35,755	
EXPENSES:	36,002	35,945	57
EXCESS OF REVENUES OVER (UNDER) EXPENSES		(190)	
FUND EQUITY AT JULY 1		13,994	
NON-BUDGETED ITEMS		(332)	
FIXED ASSET ALLOCATIONS		(2,134)	
FUND EQUITY AT JUNE 30	\$	\$ 11,338	\$
<b>GENERAL GOVERNMENT - CENTRAL STORES</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 9,372	\$
TRANSFERS IN (INTRAFUND)		201	
TOTAL REVENUES		9,573	
EXPENSES:	9,901	9,389	512
EXCESS OF REVENUES OVER (UNDER) EXPENSES		184	
FUND EQUITY AT JULY 1		713	
NON-BUDGETED ITEMS		(201)	
FIXED ASSET ALLOCATIONS		(51)	
FUND EQUITY AT JUNE 30	\$	\$ 645	\$
<b>GENERAL GOVERNMENT - TELECOMMUNICATIONS</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 9,047	\$
OTHER REVENUES		(6)	
TRANSFERS IN (INTERFUND)		238	
TOTAL REVENUES		9,279	
EXPENSES:	10,669	9,103	1,566
EXCESS OF REVENUES OVER (UNDER) EXPENSES		176	
FUND EQUITY AT JULY 1		2,937	
FIXED ASSET ALLOCATIONS		(328)	
FUND EQUITY AT JUNE 30	\$	\$ 2,785	\$
<b>JUSTICE - PRISON INDUSTRIES</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 10,778	\$
INTEREST AND OTHER INVESTMENT INCOME		2	
OTHER REVENUES		7	
TRANSFERS IN (INTERFUND)		150	
TOTAL REVENUES		10,937	
EXPENSES:	11,574	10,519	1,055
EXCESS OF REVENUES OVER (UNDER) EXPENSES		418	
FUND EQUITY AT JULY 1		7,222	
NON-BUDGETED ITEMS		(614)	
FIXED ASSET ALLOCATIONS		(151)	
FUND EQUITY AT JUNE 30	\$	\$ 6,875	\$

	Budget	Actual	Variance
<b>GENERAL GOVERNMENT - CENTRAL PRINTING</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 4,700	\$
TRANSFERS IN (INTERFUND)		9	
TOTAL REVENUES		4,709	
EXPENSES:	5,293	4,465	828
EXCESS OF REVENUES OVER (UNDER) EXPENSES		244	
FUND EQUITY AT JULY 1		1,658	
FIXED ASSET ALLOCATIONS		(203)	
FUND EQUITY AT JUNE 30	\$	\$ 1,699	\$
<b>GENERAL GOVERNMENT - PROPERTY MANAGEMENT</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 15,741	\$
FINES AND FORFEITS		1	
OTHER REVENUES		45	
TOTAL REVENUES		15,787	
EXPENSES:	16,850	16,043	807
EXCESS OF REVENUES OVER (UNDER) EXPENSES		(256)	
FUND EQUITY AT JULY 1		4,078	
FIXED ASSET ALLOCATIONS		204	
FUND EQUITY AT JUNE 30	\$	\$ 4,026	\$
<b>GENERAL GOVERNMENT - RISK MANAGEMENT</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 14,091	\$
INTEREST AND INVESTMENT INCOME		352	
OTHER REVENUES		4,910	
TRANSFERS IN (INTRAFUND)		18,153	
TOTAL REVENUES		37,506	
EXPENSES:			
PERSONNEL CABINET	16,080	13,580	2,500
DEPARTMENT OF INSURANCE	562	527	35
TOTAL EXPENSES	16,642	14,107	2,535
EXCESS OF REVENUES OVER (UNDER) EXPENSES		23,399	
FUND EQUITY AT JULY 1		16,496	
NON-BUDGETED ITEMS		(22,912)	
FIXED ASSET ALLOCATIONS		18	
FUND EQUITY AT JUNE 30	\$	\$ 17,001	\$
<b>TOTALS</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 99,472	\$
FINES AND FORFEITS		2	
INTEREST AND OTHER INVESTMENT INCOME		354	
OTHER REVENUES		24,671	
TRANSFERS IN		18,752	
TOTAL REVENUES		143,251	
EXPENSES:			
TRANSPORTATION	20,890	20,798	92
GENERAL GOVERNMENT	94,795	88,525	6,270
JUSTICE	11,574	10,519	1,055
PUBLIC PROTECTION AND REGULATION	562	527	35
TOTAL EXPENSES	127,821	120,369	7,452
EXCESS OF REVENUES OVER (UNDER) EXPENSES		22,882	
FUND EQUITY AT JULY 1		47,098	
NON-BUDGETED ITEMS		(24,059)	
FIXED ASSET ALLOCATIONS		(2,645)	
MOVED FROM AGENCY REVENUE FUND		3,298	
FUND EQUITY AT JUNE 30	\$	\$ 46,574	\$

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## TRUST AND AGENCY FUNDS

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Kentucky utilizes four types of **Trust and Agency Funds** to account for assets held as trustee or agent for individuals, private organizations, or other governments as follows:

**Expendable Trust Funds** account for assets held by the Commonwealth as a legal trustee when both principal and interest may be expended for designated purposes. Kentucky uses the following Expendable Trust Funds:

***Unemployment Compensation Fund*** - accounts for assessed employer contributions and related unemployment compensation payments.

***Special Benefits Fund*** - accounts for other fiduciary monies to be expended only for designated operations.

**Pension Trust Funds** account for monies received for and expenses incurred by the various public employe retirement systems administered by the State. Kentucky uses the following Pension Trust Funds:

***Kentucky Employes Retirement System Fund*** - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time employes of any State department, board or agency directed by Executive Order to participate in the system.

***State Police Retirement System Fund*** - accounts for revenues and expenses of the retirement system which covers substantially all regular full-time officers of the Kentucky State Police.

***County Employes Retirement System Fund*** - accounts for revenues and expenses of the retirement system that covers substantially all regular full-time employes of each county, local school board, and additional local agencies electing to participate in the System.

***Kentucky Retirement System Insurance Fund*** - accounts for accident and health insurance benefits for members of the Kentucky Employes, State Police and County Employes Retirement Systems.

***Teachers' Retirement System Fund*** - accounts for revenues and expenses of the retirement system which covers substantially all persons occupying positions in the public elementary and secondary schools for which a certificate is required, faculty members of five regional universities, the Commissioner of Education and the professional staff members of the Department of Education.

***Judicial Retirement System Fund*** - accounts for revenues and expenses of the retirement system that covers all District Judges, Circuit Judges, Judges of the Court of Appeals, and Judges of the Supreme Court.

***Legislators' Retirement System Fund*** - accounts for revenues and expenses of the retirement system that covers all members of the General Assembly.

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**Agency Funds** account for monies held by the Commonwealth for custodial purposes only. Kentucky uses the following Agency Funds:

***Kentucky Public Employees Deferred Compensation System*** - accounts for deferred portions of eligible Commonwealth, county, and local school district employees' salaries withheld and remitted to either of two independently administered plans created in accordance with Internal Revenue Code Section 401(k) or 457.

***Kentucky Health Purchasing Alliance*** - accounts for insurance premiums collected from various state and local government units through a third party administrator.

***Commonwealth Choice*** - accounts for flexible benefits spending accounts.

***County Sinking Fund*** - accounts for monies generated through the sale of bonds for specific uses by the counties.

***Special Deposit Trust Fund*** - accounts for monies held by the Commonwealth and earmarked for specific purposes such as employee withholdings.

**COMMONWEALTH OF KENTUCKY  
COMBINING BALANCE SHEET  
ALL TRUST AND AGENCY FUNDS  
JUNE 30, 1997**

(Expressed in Thousands)

	Expendable Trust Funds		
	Unemployment Compensation	Special Benefits	Pension Trust
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS	\$ 69	\$ 62,918	\$ 1,923,218
CASH WITH FISCAL AGENTS			
CASH ON DEPOSIT WITH FEDERAL GOVERNMENT	550,485		
INVESTMENTS, NET OF AMORTIZATION		154,336	18,638,370
RECEIVABLES, NET	30,411	2,308	206,038
INTERFUND RECEIVABLES	701	12,804	
PREPAID EXPENSES			192
BUILDINGS			2,745
TOTAL ASSETS	<u>\$ 581,666</u>	<u>\$ 232,366</u>	<u>\$ 20,770,563</u>
<b>LIABILITIES AND FUND EQUITY</b>			
LIABILITIES:			
ACCOUNTS PAYABLE	\$ 41,858	\$ 3,468	\$ 1,141,407
INTERFUND PAYABLES	554	3,438	
AMOUNTS HELD IN CUSTODY FOR OTHERS			
DEFERRED REVENUE	28,526	1,944	
OTHER LIABILITIES			691,255
TOTAL LIABILITIES	<u>70,938</u>	<u>8,850</u>	<u>1,832,662</u>
FUND EQUITY			
FUND BALANCE:			
RESERVED FOR:			
EMPLOYEE RETIREMENT SYSTEMS			18,399,327
RETIREE'S HEALTH INSURANCE			538,574
UNRESERVED:			
UNDESIGNATED	510,728	223,516	
TOTAL FUND EQUITY	<u>510,728</u>	<u>223,516</u>	<u>18,937,901</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 581,666</u>	<u>\$ 232,366</u>	<u>\$ 20,770,563</u>

<b>Agency Funds</b>					
<b>Deferred Compensation</b>	<b>Kentucky Health Purchasing Alliance</b>	<b>Commonwealth Choice Program</b>	<b>County Sinking Fund</b>	<b>Special Deposit Trust</b>	<b>Totals June 30, 1997</b>
\$ 945	\$ 4,615	\$ 3,648	\$ 18 283	\$ 109,363	\$ 2,096,531 8,546 550,485
378,595 1,508			50 1	78,626 43 212	19,249,977 240,309 13,717 192 2,745
<u>\$ 381,048</u>	<u>\$ 4,615</u>	<u>\$ 3,648</u>	<u>\$ 352</u>	<u>\$ 188,244</u>	<u>\$ 22,162,502</u>
\$ 35	\$ 4,615	\$ 3,648	\$ 352	\$ 18 188,226	\$ 1,186,768 4,010 577,854 30,470 691,255
<u>381,048</u>	<u>4,615</u>	<u>3,648</u>	<u>352</u>	<u>188,244</u>	<u>2,490,357</u>
					18,399,327 538,574 734,244
					<u>19,672,145</u>
<u>\$ 381,048</u>	<u>\$ 4,615</u>	<u>\$ 3,648</u>	<u>\$ 352</u>	<u>\$ 188,244</u>	<u>\$ 22,162,502</u>

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF PLAN NET ASSETS**  
**PENSION TRUST FUNDS**  
**JUNE 30, 1997**  
(Expressed in Thousands)

	Kentucky Employees Retirement System		State Police Retirement System	
	Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits
<b>ASSETS</b>				
CASH AND SHORT-TERM INVESTMENTS				
CASH	\$ 127	\$ 8	\$ 8	\$ 1
SHORT-TERM INVESTMENTS	642,480	43,461	44,865	7,260
TOTAL CASH AND SHORT-TERM INVESTMENTS	<u>\$ 642,607</u>	<u>\$ 43,469</u>	<u>\$ 44,873</u>	<u>\$ 7,261</u>
RECEIVABLES				
INVESTMENTS - ACCOUNTS RECEIVABLE	\$ 1,629	\$ 90	\$ 95	\$ 15
INTEREST RECEIVABLE	16,663	939	1,151	150
ACCOUNTS RECEIVABLE	14,865	4,015	17,917	765
TOTAL RECEIVABLES	<u>\$ 33,157</u>	<u>\$ 5,044</u>	<u>\$ 19,163</u>	<u>\$ 930</u>
INVESTMENTS AT FAIR VALUE				
CORPORATE AND GOVERNMENT BONDS	\$ 918,421	\$ 50,030	\$ 61,770	\$ 7,871
COMMON STOCKS	2,921,317	162,049	206,838	25,465
MORTGAGES	211,716	11,560	14,157	1,986
REAL ESTATE	176,716		11,922	
TOTAL INVESTMENTS AT FAIR VALUE	<u>\$ 4,228,170</u>	<u>\$ 223,639</u>	<u>\$ 294,687</u>	<u>\$ 35,322</u>
INVESTED SECURITY COLLATERAL				
FIXED ASSETS, NET				
PREPAID EXPENSES				
TOTAL ASSETS	<u>\$ 4,903,934</u>	<u>\$ 272,152</u>	<u>\$ 358,723</u>	<u>\$ 43,513</u>
<b>LIABILITIES</b>				
INVESTMENT - ACCOUNTS PAYABLE	\$ 505,620	\$ 30,714	\$ 32,499	\$ 4,910
ACCOUNTS PAYABLE	6,471	212	19,196	8
DISBURSEMENTS IN EXCESS OF CASH BALANCE				
OBLIGATIONS UNDER SECURITIES LENDING				
TOTAL LIABILITIES	<u>512,091</u>	<u>30,926</u>	<u>51,695</u>	<u>4,918</u>
NET ASSETS HELD FOR:				
EMPLOYEE RETIREMENT BENEFITS	4,391,843		307,028	
RETIREE'S HEALTH INSURANCE	<u>\$</u>	<u>\$ 241,226</u>	<u>\$</u>	<u>\$ 38,595</u>

County Employes Retirement System		Teachers' Retirement System		Judicial Retirement System	Legislators' Retirement System	Totals June 30, 1997
Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits	Pension Benefits	Pension Benefits	
\$ 123	\$ 8	\$ 357	\$	\$ 1	\$ 1	\$ 634
690,438	43,230	404,677	34,623	9,304	2,246	1,922,584
<u>\$ 690,561</u>	<u>\$ 43,238</u>	<u>\$ 405,034</u>	<u>\$ 34,623</u>	<u>\$ 9,305</u>	<u>\$ 2,247</u>	<u>\$ 1,923,218</u>
\$ 2,220	\$ 88	\$ 60,130	\$	\$	\$	\$ 64,267
14,309	900			1,293	269	35,674
32,979	4,116	29,568	1,827	45		106,097
<u>\$ 49,508</u>	<u>\$ 5,104</u>	<u>\$ 89,698</u>	<u>\$ 1,827</u>	<u>\$ 1,338</u>	<u>\$ 269</u>	<u>\$ 206,038</u>
\$ 781,180	\$ 48,027	\$ 3,752,760	\$	\$ 60,823	\$ 13,795	\$ 5,694,677
2,673,956	155,658	4,892,578		104,216	27,401	11,169,478
147,729	11,453	149,700		7,269	3,356	558,926
150,816		184,580				524,034
<u>\$ 3,753,681</u>	<u>\$ 215,138</u>	<u>\$ 8,979,618</u>	<u>\$</u>	<u>\$ 172,308</u>	<u>\$ 44,552</u>	<u>\$ 17,947,115</u>
		691,255				691,255
		2,745				2,745
		192				192
<u>\$ 4,493,750</u>	<u>\$ 263,480</u>	<u>\$ 10,168,542</u>	<u>\$ 36,450</u>	<u>\$ 182,951</u>	<u>\$ 47,068</u>	<u>\$ 20,770,563</u>
\$ 486,957	\$ 29,806	\$	\$	\$	\$	\$ 1,090,506
7,467	42	2,392	11,329			47,117
		3,784				3,784
		691,255				691,255
<u>494,424</u>	<u>29,848</u>	<u>697,431</u>	<u>11,329</u>			<u>1,832,662</u>
3,999,326		9,471,111		182,951	47,068	18,399,327
<u>\$</u>	<u>\$ 233,632</u>	<u>\$</u>	<u>\$ 25,121</u>	<u>\$</u>	<u>\$</u>	<u>\$ 538,574</u>

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**EXPENDABLE TRUST FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	Unemployment Compensation	Special Benefits	Totals June 30, 1997
REVENUES:			
TAXES	\$ 249,420	\$ 90	\$ 249,510
LICENSES, FEES, AND PERMITS		43	43
INTERGOVERNMENTAL	16,325	5,083	21,408
CHARGES FOR SERVICES	8	1	9
INTEREST AND OTHER INVESTMENT INCOME	34,101	5,527	39,628
OTHER REVENUES	1,890	4,623	6,513
TOTAL REVENUES	<u>301,744</u>	<u>15,367</u>	<u>317,111</u>
EXPENDITURES:			
GENERAL GOVERNMENT		21,510	21,510
LEGISLATIVE AND JUDICIAL		11	11
EDUCATION AND HUMANITIES	226,450	36,995	263,445
HUMAN RESOURCES		3,812	3,812
TOTAL EXPENDITURES	<u>226,450</u>	<u>62,328</u>	<u>288,778</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>75,294</u>	<u>(46,961)</u>	<u>28,333</u>
OTHER FINANCING SOURCES (USES):			
OPERATING TRANSFERS IN	700	165,629	166,329
OPERATING TRANSFERS OUT	(2,616)	(21,316)	(23,932)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,916)</u>	<u>144,313</u>	<u>142,397</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	73,378	97,352	170,730
FUND BALANCES AT JULY 1	437,350	126,164	563,514
FUND BALANCES AT JUNE 30	<u>\$ 510,728</u>	<u>\$ 223,516</u>	<u>\$ 734,244</u>



**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS**  
**PENSION TRUST FUNDS**  
**JUNE 30, 1997**  
(Expressed in Thousands)

	Kentucky Employes Retirement System		State Police Retirement System	
	Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits
<b>ADDITIONS</b>				
CONTRIBUTIONS				
EMPLOYER	\$ 118,119	\$ 43,989	\$ 9,628	\$ 5,126
EMPLOYEE	69,075		2,958	
TOTAL CONTRIBUTIONS	<u>187,194</u>	<u>43,989</u>	<u>12,586</u>	<u>5,126</u>
INVESTMENT INCOME				
NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	671,710	32,154	47,643	5,153
INTEREST	99,812	6,189	6,996	1,018
DIVIDENDS	58,746	2,431	4,244	397
REAL ESTATE OPERATING INCOME, NET	10,953		829	
SECURITIES LENDING INCOME				
TOTAL INVESTMENT INCOME	<u>841,221</u>	<u>40,774</u>	<u>59,712</u>	<u>6,568</u>
LESS: INVESTMENT EXPENSE	19,173	796	1,337	128
LESS: SECURITIES LENDING EXPENSE				
NET INVESTMENT INCOME	<u>822,048</u>	<u>39,978</u>	<u>58,375</u>	<u>6,440</u>
<b>TOTAL ADDITIONS</b>	<u>1,009,242</u>	<u>83,967</u>	<u>70,961</u>	<u>11,566</u>
<b>DEDUCTIONS</b>				
BENEFIT PAYMENTS	173,352		14,682	
REFUNDS	8,262		57	
ADMINISTRATIVE EXPENSES	2,701		52	
OTHER DEDUCTIONS, NET	43,988	22,010	5,126	2,160
<b>TOTAL DEDUCTIONS</b>	<u>228,303</u>	<u>22,010</u>	<u>19,917</u>	<u>2,160</u>
<b>NET INCREASE (DECREASE)</b>	780,939	61,957	51,044	9,406
<b>NET ASSETS HELD IN TRUST</b>				
BEGINNING OF YEAR	3,657,447	179,269	257,799	28,881
ADJUSTMENTS TO NET ASSETS	(46,543)		(1,815)	308
END OF YEAR	<u>\$ 4,391,843</u>	<u>\$ 241,226</u>	<u>\$ 307,028</u>	<u>\$ 38,595</u>

County Employes Retirement System		Teachers' Retirement System		Judicial Retirement System	Legislators' Retirement System	Totals June 30, 1997
Pension Benefits	Healthcare Benefits	Pension Benefits	Healthcare Benefits	Pension Benefits	Pension Benefits	
\$ 145,326	\$ 40,809	\$ 293,734	\$ 34,873	\$ 5,634	\$ 1,737	\$ 698,975
79,342		183,085	29,487	1,044	197	365,188
224,668	40,809	476,819	64,360	6,678	1,934	1,064,163
627,886	30,900	1,179,662		27,766	6,858	2,629,732
79,895	5,999	265,739	1,422	1,634	1,145	469,849
54,205	2,382	86,537		4,994	424	214,360
9,647		15,989				37,418
		27,200				27,200
771,633	39,281	1,575,127	1,422	34,394	8,427	3,378,559
17,113	771	3,573		105	12	43,008
		26,503				26,503
754,520	38,510	1,545,051	1,422	34,289	8,415	3,309,048
979,188	79,319	2,021,870	65,782	40,967	10,349	4,373,211
124,187		431,597		5,844	1,615	751,277
9,167		33,318	2	4	21	50,831
3,909		3,497	2,996	160	96	13,411
40,816	19,757		64,966			198,823
178,079	19,757	468,412	67,964	6,008	1,732	1,014,342
801,109	59,562	1,553,458	(2,182)	34,959	8,617	3,358,869
3,151,674	174,070	7,027,591	27,303	147,992	38,451	14,690,477
46,543		890,062				888,555
\$ 3,999,326	\$ 233,632	\$ 9,471,111	\$ 25,121	\$ 182,951	\$ 47,068	\$ 18,937,901

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 1997**  
(Expressed in Thousands)

	Balance July 1, 1996	Additions	Deductions	Balance June 30, 1997
<b>KENTUCKY PUBLIC EMPLOYEES</b>				
<b>DEFERRED COMPENSATION SYSTEM</b>				
<u>ASSETS</u>				
CASH & CASH EQUIVALENTS	\$ 1,045	\$ 35	\$ 135	\$ 945
INVESTMENTS	332,741	62,204	16,350	378,595
CONTRIBUTIONS RECEIVABLE	992	516		1,508
TOTAL ASSETS	<u>\$ 334,778</u>	<u>\$ 62,755</u>	<u>\$ 16,485</u>	<u>\$ 381,048</u>
<u>LIABILITIES</u>				
ACCOUNTS PAYABLE	\$ 35	\$ 35	\$ 35	\$ 35
AMOUNTS HELD IN CUSTODY FOR OTHERS	334,743	62,720	16,450	381,013
TOTAL LIABILITIES	<u>\$ 334,778</u>	<u>\$ 62,755</u>	<u>\$ 16,485</u>	<u>\$ 381,048</u>
 <b>KENTUCKY HEALTH PURCHASING ALLIANCE</b>				
<u>ASSETS</u>				
CASH WITH FISCAL AGENTS	\$ 16,671	\$ 441,311	\$ 453,367	\$ 4,615
TOTAL ASSETS	<u>\$ 16,671</u>	<u>\$ 441,311</u>	<u>\$ 453,367</u>	<u>\$ 4,615</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN CUSTODY FOR OTHERS	\$ 16,671	\$ 441,311	\$ 453,367	\$ 4,615
TOTAL LIABILITIES	<u>\$ 16,671</u>	<u>\$ 441,311</u>	<u>\$ 453,367</u>	<u>\$ 4,615</u>
 <b>COMMONWEALTH CHOICE PROGRAM</b>				
<u>ASSETS</u>				
CASH WITH FISCAL AGENTS	\$ 2,307	\$ 9,801	\$ 8,460	\$ 3,648
TOTAL ASSETS	<u>\$ 2,307</u>	<u>\$ 9,801</u>	<u>\$ 8,460</u>	<u>\$ 3,648</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN CUSTODY FOR OTHERS	\$ 2,307	\$ 9,801	\$ 8,460	\$ 3,648
TOTAL LIABILITIES	<u>\$ 2,307</u>	<u>\$ 9,801</u>	<u>\$ 8,460</u>	<u>\$ 3,648</u>
 <b>COUNTY SINKING FUND</b>				
<u>ASSETS</u>				
CASH & CASH EQUIVALENTS	\$ 48	\$ 438	\$ 468	\$ 18
CASH WITH FISCAL AGENTS	283			283
INVESTMENTS	21	50	20	51
ACCOUNTS RECEIVABLE		1		1
TOTAL ASSETS	<u>\$ 352</u>	<u>\$ 489</u>	<u>\$ 488</u>	<u>\$ 353</u>
<u>LIABILITIES</u>				
AMOUNTS HELD IN CUSTODY FOR OTHERS	\$ 352	\$ 365	\$ 364	\$ 353
TOTAL LIABILITIES	<u>\$ 352</u>	<u>\$ 365</u>	<u>\$ 364</u>	<u>\$ 353</u>

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 1996</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 1997</b>
<b><u>SPECIAL DEPOSIT TRUST FUND</u></b>				
<u>ASSETS</u>				
CASH & CASH EQUIVALENTS	\$ 132,115	\$ 1,526,562	\$ 1,549,314	\$ 109,363
INVESTMENTS	58,445	68,680	48,499	78,626
ACCOUNTS RECEIVABLE	551	1,318	1,826	43
INTERFUND RECEIVABLES	307	364	459	212
TOTAL ASSETS	<u>\$ 191,418</u>	<u>\$ 1,596,924</u>	<u>\$ 1,600,098</u>	<u>\$ 188,244</u>
<u>LIABILITIES</u>				
INTERFUND PAYABLES	\$ 816	\$ 18	\$ 816	\$ 18
AMOUNTS HELD IN CUSTODY FOR OTHERS	190,602	1,351,319	1,353,695	188,226
TOTAL LIABILITIES	<u>\$ 191,418</u>	<u>\$ 1,351,337</u>	<u>\$ 1,354,511</u>	<u>\$ 188,244</u>
<b><u>ALL AGENCY FUNDS</u></b>				
<u>ASSETS</u>				
CASH & CASH EQUIVALENTS	\$ 133,208	\$ 1,527,035	\$ 1,549,917	\$ 110,326
CASH WITH FISCAL AGENTS	19,261	451,112	461,827	8,546
INVESTMENTS	391,207	130,934	64,869	457,272
ACCOUNTS RECEIVABLE	551	1,319	1,826	44
CONTRIBUTIONS RECEIVABLE	992	516		1,508
INTERFUND RECEIVABLES	307	364	459	212
TOTAL ASSETS	<u>\$ 545,526</u>	<u>\$ 2,111,280</u>	<u>\$ 2,078,898</u>	<u>\$ 577,908</u>
<u>LIABILITIES</u>				
ACCOUNTS PAYABLE	\$ 35	\$ 35	\$ 35	\$ 35
INTERFUND PAYABLES	816	18	816	18
AMOUNTS HELD IN CUSTODY FOR OTHERS	544,675	1,865,516	1,832,336	577,855
TOTAL LIABILITIES	<u>\$ 545,526</u>	<u>\$ 1,865,569</u>	<u>\$ 1,833,187</u>	<u>\$ 577,908</u>

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED EXPENDABLE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Unemployment Compensation		
	Budget	Actual	Variance
REVENUES:			
INTERGOVERNMENTAL	\$	\$ 16,325	\$
CHARGES FOR SERVICES		8	
INTEREST AND OTHER INVESTMENT INCOME		34,101	
EMPLOYER CONTRIBUTIONS		249,414	
OTHER REVENUES		1,641	
TAXES		6	
TRANSFERS IN (INTERFUND)		700	
TOTAL REVENUES		302,195	
EXPENDITURES:			
WORKFORCE DEVELOPMENT			
DEPARTMENT FOR EMPLOYMENT SERVICES -			
UNEMPLOYMENT INSURANCE BENEFITS	246,100	236,838	9,262
TOTAL WORKFORCE DEVELOPMENT	246,100	236,838	9,262
TOTAL EXPENDITURES	246,100	236,838	9,262
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		65,357	
FUND BALANCE AT JULY 1		485,612	
NON-BUDGETED ITEMS		(438)	
FUND BALANCE AT JUNE 30	\$	\$ 550,531	\$

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## GENERAL FIXED ASSETS ACCOUNT GROUP

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The **General Fixed Assets Account Group** accounts for the Commonwealth's fixed assets, except those related to the proprietary funds, trust funds, and university and college funds.

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF GENERAL FIXED ASSETS BY SOURCE**  
**JUNE 30, 1997**

(Expressed In Thousands)

	<u>June 30, 1997</u>
GENERAL FIXED ASSETS:	
LAND	\$ 78,247
BUILDINGS	678,337
MACHINERY AND EQUIPMENT	287,677
CONSTRUCTION IN PROGRESS	167,473
TOTAL GENERAL FIXED ASSETS	<u>\$ 1,211,734</u>
INVESTMENT IN GENERAL FIXED ASSETS FROM:	
GENERAL FUND REVENUES	\$ 70,041
SPECIAL REVENUE FUNDS REVENUE	236,937
DONATIONS	60,727
OTHER	14,454
CAPITAL PROJECTS FUND:	
STATE APPROPRIATIONS	47,645
REVENUE BONDS	360,484
FEDERAL GRANTS	36,852
OTHER	3,049
FIXED ASSETS ACQUIRED PRIOR TO JULY 1, 1984 (A)	381,545
TOTAL INVESTMENT IN GENERAL FIXED ASSETS	<u>\$ 1,211,734</u>

(A) FIXED ASSETS WITH AN UNDETERMINED FUNDING SOURCE ACQUIRED PRIOR TO JULY 1, 1984

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY**  
**JUNE 30, 1997**

(Expressed in Thousands)

FUNCTION AND ACTIVITY	Land	Buildings	Machinery and Equipment	Totals June 30, 1997
GENERAL GOVERNMENT:				
CABINET FOR GENERAL GOVERNMENT (B) (C)	\$ 5,933	\$ 77,563	\$ 8,291	\$ 91,787
REVENUE CABINET (B)			5,156	5,156
FINANCE & ADMINISTRATION (B)	7,814	121,833	3,694	133,341
PERSONNEL CABINET (B)			635	635
TOTAL GENERAL GOVERNMENT	<u>13,747</u>	<u>199,396</u>	<u>17,776</u>	<u>230,919</u>
LEGISLATIVE & JUDICIAL (B)	55		12,951	13,006
COMMERCE:				
ECONOMIC DEVELOPMENT CABINET (B)	15,186	21,507	252	36,945
TOURISM CABINET (B)	23,534	6,870	13,469	43,873
TOTAL COMMERCE	<u>38,720</u>	<u>28,377</u>	<u>13,721</u>	<u>80,818</u>
EDUCATION & HUMANITIES:				
EDUCATION & HUMANITIES CABINET (B)	398	25,442	15,022	40,862
WORKFORCE DEVELOPMENT CABINET (A) (B)	4,852	97,990	35,221	138,063
TOTAL EDUCATION & HUMANITIES	<u>5,250</u>	<u>123,432</u>	<u>50,243</u>	<u>178,925</u>
HUMAN RESOURCES (A) (B)	2,874	78,596	17,945	99,415
JUSTICE (A) (B)	3,833	189,236	41,165	234,234
NATURAL RESOURCES & ENVIRONMENTAL PROTECTION (B)	8,253	925	24,149	33,327
PUBLIC PROTECTION & REGULATION:				
PUBLIC PROTECTION & REGULATION CABINET (B)	47	221	2,489	2,757
LABOR CABINET (B)			1,607	1,607
TOTAL PUBLIC PROTECTION & REGULATION	<u>47</u>	<u>221</u>	<u>4,096</u>	<u>4,364</u>
TRANSPORTATION (B)	5,468	58,154	105,631	169,253
TOTAL GENERAL FIXED ASSETS ALLOCATED TO FUNCTIONS	78,247	678,337	287,677	1,044,261
CONSTRUCTION IN PROGRESS		167,473		167,473
TOTAL GENERAL FIXED ASSETS	<u>\$ 78,247</u>	<u>\$ 845,810</u>	<u>\$ 287,677</u>	<u>\$ 1,211,734</u>

(A) FIXED ASSETS TOTALING \$16,768,(000) WERE PREVIOUSLY REPORTED WITHIN THE HUMAN RESOURCES FUNCTION.

THIS AMOUNT IS NOW REPORTED IN THE FOLLOWING CABINETS: JUSTICE \$10,437, (000), AND WORKFORCE DEVELOPMENT \$6,331,(000).

(B) THE FIXED ASSET REPORTING LEVEL WAS CHANGED FROM \$500.00 TO \$5,000.00 FOR MACHINERY AND EQUIPMENT. THIS RESULTED IN A DECREASE IN BEGINNING ASSET BALANCE OF \$178,474,(000). THESE AMOUNTS WERE IN THE ABOVE FUNCTIONS AS FOLLOWS:

\$8,827,(000), \$5,969,(000), \$4,237,(000), \$301,(000), \$13,620,(000), \$667,(000), \$6,194,(000), \$16,174,(000), \$47,206,(000), \$33,452,(000), \$24,604,(000), \$10,244,(000), \$4,596,(000), \$2,383,(000), RESPECTIVELY.

(C) FIXED ASSETS (BUILDINGS) TOTALING \$43,170,(000) WERE PREVIOUSLY OMITTED IN ERROR.

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Balance June 30, 1996	Additions	Retirements	Balance June 30, 1997
GENERAL GOVERNMENT:				
CABINET FOR GENERAL GOVERNMENT (B) (C)	\$ 88,042	\$ 4,127	\$ 382	\$ 91,787
REVENUE CABINET (B)	5,111	346	301	5,156
FINANCE & ADMINISTRATION (B)	132,659	729	47	133,341
PERSONNEL CABINET (B)	588	61	14	635
TOTAL GENERAL GOVERNMENT	<u>226,400</u>	<u>5,263</u>	<u>744</u>	<u>230,919</u>
LEGISLATIVE & JUDICIAL (B)	12,770	1,012	776	13,006
COMMERCE:				
ECONOMIC DEVELOPMENT CABINET (B)	33,451	3,507	13	36,945
TOURISM CABINET (B)	41,037	3,890	1,054	43,873
TOTAL COMMERCE	<u>74,488</u>	<u>7,397</u>	<u>1,067</u>	<u>80,818</u>
EDUCATION & HUMANITIES:				
EDUCATION & HUMANITIES CABINET (B)	38,469	2,952	559	40,862
WORKFORCE DEVELOPMENT CABINET (A)(B)	135,553	3,761	1,251	138,063
TOTAL EDUCATION & HUMANITIES	<u>174,022</u>	<u>6,713</u>	<u>1,810</u>	<u>178,925</u>
HUMAN RESOURCES (A)(B)	93,604	5,872	61	99,415
JUSTICE (A)(B)	231,669	6,723	4,158	234,234
NATURAL RESOURCES & ENVIRONMENTAL PROTECTION (B)	32,100	4,167	2,940	33,327
PUBLIC PROTECTION & REGULATION:				
PUBLIC PROTECTION & REGULATION CABINET (B)	2,554	330	127	2,757
LABOR CABINET (B)	1,168	505	66	1,607
TOTAL PUBLIC PROTECTION & REGULATION	<u>3,722</u>	<u>835</u>	<u>193</u>	<u>4,364</u>
TRANSPORTATION	260,061	7,093	97,901	169,253
TOTAL GENERAL FIXED ASSETS ALLOCATED TO FUNCTIONS	1,108,836	45,075	109,650	1,044,261
CONSTRUCTION IN PROGRESS	162,092	20,303	14,922	167,473
TOTAL GENERAL FIXED ASSETS	<u>\$ 1,270,928</u>	<u>\$ 65,378</u>	<u>\$ 124,572</u>	<u>\$ 1,211,734</u>

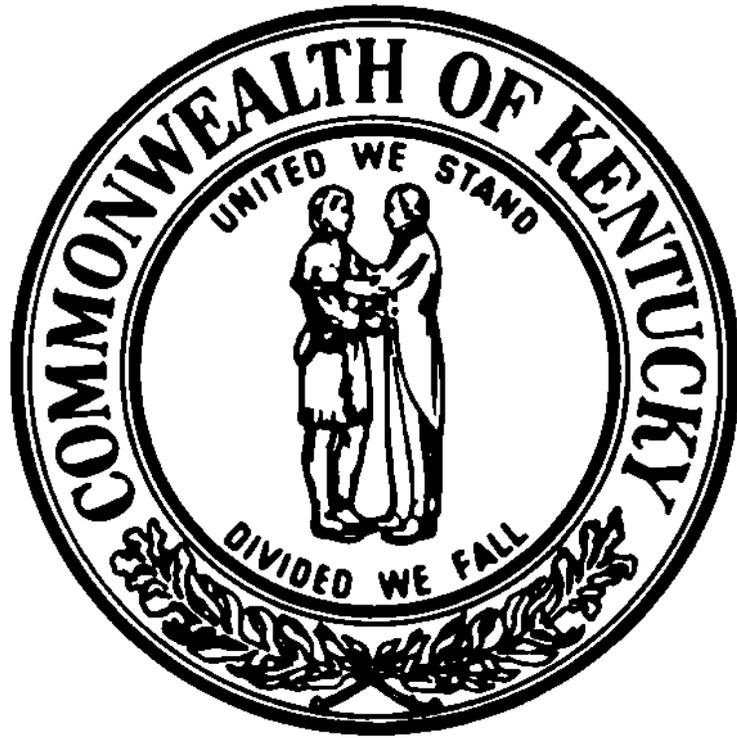
(A) FIXED ASSETS TOTALING \$16,768,(000) WERE PREVIOUSLY REPORTED WITHIN THE HUMAN RESOURCES FUNCTION.

THIS AMOUNT IS NOW REPORTED IN THE FOLLOWING CABINETS: JUSTICE \$10,437, (000), AND WORKFORCE DEVELOPMENT \$6,331,(000).

(B) THE FIXED ASSET REPORTING LEVEL WAS CHANGED FROM \$500.00 TO \$5,000.00 FOR MACHINERY AND EQUIPMENT. THIS RESULTED IN A DECREASE IN BEGINNING ASSET BALANCE OF \$178,474,(000). THESE AMOUNTS WERE IN THE ABOVE FUNCTIONS AS FOLLOWS:

\$8,827,(000), \$5,969,(000), \$4,237,(000), \$301,(000), \$13,620,(000), \$667,(000), \$6,194,(000), \$16,174,(000), \$47,206,(000), \$33,452,(000), \$24,604,(000), \$10,244,(000), \$4,596,(000), \$2,383,(000), RESPECTIVELY.

(C) FIXED ASSETS (BUILDINGS) TOTALING \$43,170,(000) WERE PREVIOUSLY OMITTED IN ERROR.



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## COMPONENT UNITS

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Component Units Funds account for the financial activities of the Commonwealth of Kentucky's component units, which have been determined to be legally separate from the State's primary government and for which the primary government is financially accountable. The Component Units are presented in three separate categories: Governmental Funds, Proprietary Funds and University and College Funds.

### Governmental Funds

***Bluegrass State Skills Corporation*** - established to improve and promote the employment opportunities of the citizens of the Commonwealth by assisting the Economic Development Cabinet in creating and expanding programs of skill, training and education.

### Proprietary Funds

#### Enterprise Funds

***Kentucky State Fair Board*** - accounts for revenues earned and expenses incurred in the commercial operations of the State Fair Board.

***Kentucky Center for the Arts*** - established by the General Assembly to promote the growth and development of the arts, convention trade, tourism and hotel industries within Jefferson County and the Commonwealth. The Center has the responsibility of maintaining, operating and insuring the Kentucky Center for the Arts building.

***Kentucky Educational Television Authority*** - established by KRS 168.030 to produce and transmit educational television programming to the citizens of the Commonwealth.

***Kentucky Economic Development Finance Authority*** - established in 1958 under KRS Chapter 154 to promote industrial development, and authorized to issue industrial revenue bonds that do not constitute a legal or moral obligation of the Commonwealth.

***Kentucky Higher Education Assistance Authority*** - established by KRS 164.742 to improve higher education opportunities by insuring eligible student loans and providing grants and scholarship awards to eligible students.

***Kentucky Higher Education Student Loan Corporation*** - empowered by KRS Chapter 164A to finance state and federally insured loans to students attending eligible postsecondary institutions, through direct loans to students and the purchase of student notes from lenders.

***Kentucky Educational Savings Plan Trust*** - established by KRS 164A.310 to encourage citizens to invest funds for future educational use, and to create an endowment fund, the income from which will be available to participants' savings.

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***Kentucky Housing Corporation*** - authorized under KRS Chapter 198A in 1972 to increase the supply of housing for persons of lower income by making and participating in insured construction loans, and making or participating in insured mortgage loans when financing is not available from private lenders under reasonable equivalent terms and conditions.

***Kentucky Infrastructure Authority*** - established in 1988 by KRS 224A.030, as amended, to assure all powers, duties and obligations of the Kentucky Pollution Abatement and Water Resources Finance Authority in assisting governmental agencies within the Commonwealth in constructing and acquiring infrastructure projects.

***Kentucky Agricultural Finance Corporation*** - created by the 1984 General Assembly to "improve and promote the health, welfare and prosperity of the people of the Commonwealth through the stimulation of existing agricultural ventures." This corporation helps banks and other financial institutions assist eligible farmers in receiving low interest loans through the issuance of tax-exempt agricultural revenue bonds.

***Kentucky Grain Insurance Corporation***- provides protection to grain producers in the event of the failure of a grain dealer or grain warehouseman.

***Kentucky Local Correctional Facilities Construction Authority*** - created in 1982 pursuant to Sections 441.605 through 441.695 of the KRS to provide an additional and alternative method for constructing, improving, repairing, and financing regional and local jail facilities.

The **University and College Funds** account for all transactions relating to the eight State-supported universities within Kentucky, including the community colleges that are part of the University of Kentucky system. These institutions maintain their own financial records which are not a part of the central accounting system operated by the Finance and Administration Cabinet. The following universities and colleges are included:

Eastern Kentucky University  
Kentucky State University  
Morehead State University  
Murray State University  
Northern Kentucky University  
University of Kentucky  
(including community colleges)  
University of Louisville  
Western Kentucky University

**COMMONWEALTH OF KENTUCKY  
COMBINING BALANCE SHEET  
COMPONENT UNITS  
JUNE 30, 1997**

(Expressed in Thousands)

ASSETS	Governmental Fund Types	Proprietary Fund Types	University and College Funds	Totals June 30, 1997
<b>CURRENT ASSETS:</b>				
CASH AND CASH EQUIVALENTS	\$	\$ 487,871	\$ 440,879	\$ 928,750
RESTRICTED CASH		54,091	49,186	103,277
RECEIVABLES, NET	56	57,268	274,637	331,961
DUE FROM COMPONENT UNITS			131,347	131,347
INTEREST RECEIVABLE		19,254		19,254
INVENTORIES		304	24,218	24,522
PREPAID EXPENSES		1,476		1,476
OTHER ASSETS		4	260,340	260,344
TOTAL CURRENT ASSETS	56	620,268	1,180,607	1,800,931
<b>OTHER ASSETS:</b>				
LONG-TERM INVESTMENTS		183,622	606,469	790,091
LONG-TERM RECEIVABLES		1,443,078		1,443,078
DEFERRED CHARGES		21,127		21,127
RESTRICTED ASSETS		63,001		63,001
TOTAL OTHER ASSETS		1,710,828	606,469	2,317,297
<b>FIXED ASSETS:</b>				
LAND		14,955	66,725	81,680
IMPROVEMENTS OTHER THAN BUILDINGS			62,663	62,663
BUILDINGS		208,002	1,835,814	2,043,816
MACHINERY AND EQUIPMENT	2	47,889	579,198	627,089
LESS ACCUMULATED DEPRECIATION		(116,296)		(116,296)
CONSTRUCTION IN PROGRESS		7,156	146,825	153,981
TOTAL FIXED ASSETS, NET	2	161,706	2,691,225	2,852,933
TOTAL ASSETS	\$ 58	\$ 2,492,802	\$ 4,478,301	\$ 6,971,161
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES:</b>				
<b>CURRENT LIABILITIES:</b>				
ACCOUNTS PAYABLE	\$ 220	\$ 63,216	\$ 104,005	\$ 167,441
ACCRUED LIABILITIES			64,653	64,653
DUE TO COMPONENT UNITS			131,347	131,347
DUE TO PRIMARY GOVERNMENT		37		37
CAPITAL LEASE OBLIGATIONS		1,413		1,413
NOTES PAYABLE		5,200		5,200
BONDS PAYABLE		86,698		86,698
COMPENSATED ABSENCES		831		831
DEFERRED REVENUE		12,162	34,805	46,967
AMOUNT HELD IN CUSTODY FOR OTHERS		6,010	3,571	9,581
DEPOSITS AND ADVANCE PAYMENTS			5,142	5,142
OTHER LIABILITIES		2,575	62,047	64,622
TOTAL CURRENT LIABILITIES	220	178,142	405,570	583,932
<b>LONG-TERM LIABILITIES:</b>				
CAPITAL LEASE OBLIGATIONS		19,027	94,520	113,547
NOTES PAYABLE			7,788	7,788
BONDS PAYABLE		1,566,719	748,342	2,315,061
COMPENSATED ABSENCES		1,543		1,543
OTHER LONG-TERM LIABILITIES		507		507
TOTAL LONG-TERM LIABILITIES		1,587,796	850,650	2,438,446
TOTAL LIABILITIES	220	1,765,938	1,256,220	3,022,378
<b>FUND EQUITY AND OTHER CREDITS:</b>				
CONTRIBUTED CAPITAL		92,930		92,930
INVESTMENT IN FIXED ASSETS			2,102,349	2,102,349
<b>RETAINED EARNINGS:</b>				
<b>RESERVED FOR:</b>				
REVENUE BOND RETIREMENT		288,029		288,029
UNRESERVED		345,905		345,905
<b>FUND BALANCE:</b>				
<b>RESERVED FOR:</b>				
ENCUMBRANCES			10,290	10,290
CAPITAL OUTLAY			207,257	207,257
RESTRICTED GIFTS, GRANTS, AND CONTRACTS			664,790	664,790
<b>UNRESERVED:</b>				
DESIGNATED FOR UNIVERSITIES AND COLLEGES			237,395	237,395
UNDESIGNATED	(162)			(162)
TOTAL FUND EQUITY	(162)	726,864	3,222,081	3,948,783
TOTAL LIABILITIES AND FUND EQUITY	\$ 58	\$ 2,492,802	\$ 4,478,301	\$ 6,971,161



**COMMONWEALTH OF KENTUCKY  
COMBINING BALANCE SHEET  
COMPONENT UNITS - PROPRIETARY FUND TYPES  
JUNE 30, 1997**

(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center for the Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Higher Education Assistance Authority
<u>ASSETS</u>					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	\$ 1,672	\$ 1,328	\$ 1,294	\$ 569	\$ 22,177
RESTRICTED CASH				54,091	
RECEIVABLES, NET	1,660	635	925		17,336
INTEREST RECEIVABLE		3		2,595	1,451
INVENTORIES		70	234		
PREPAID EXPENSES	350	206	748		
OTHER ASSETS					4
TOTAL CURRENT ASSETS	<u>3,682</u>	<u>2,242</u>	<u>3,201</u>	<u>57,255</u>	<u>40,968</u>
OTHER ASSETS:					
LONG-TERM INVESTMENTS	3,152	859	4,599	458	20,893
LONG-TERM RECEIVABLES				80,850	5,238
DEFERRED CHARGES	760		166	353	
RESTRICTED ASSETS				63,001	
TOTAL OTHER ASSETS	<u>3,912</u>	<u>859</u>	<u>4,765</u>	<u>144,662</u>	<u>26,131</u>
FIXED ASSETS:					
LAND	14,073	129	32		
BUILDINGS	154,315	31,571	11,542	463	
MACHINERY AND EQUIPMENT	4,379	7,031	26,606	407	4,534
LESS: ACCUMULATED DEPRECIATION	(65,324)	(13,869)	(28,340)	(787)	(2,579)
CONSTRUCTION IN PROGRESS	6,363		520		
TOTAL FIXED ASSETS, NET	<u>113,806</u>	<u>24,862</u>	<u>10,360</u>	<u>83</u>	<u>1,955</u>
TOTAL ASSETS	<u>\$ 121,400</u>	<u>\$ 27,963</u>	<u>\$ 18,326</u>	<u>\$ 202,000</u>	<u>\$ 69,054</u>
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES:					
CURRENT LIABILITIES:					
ACCOUNTS PAYABLE	\$ 1,305	\$ 908	\$ 3,818	\$ 1,418	\$ 7,918
DUE TO PRIMARY GOVERNMENT	37				
CAPITAL LEASE OBLIGATIONS			1,413		
NOTES PAYABLE		25			
BONDS PAYABLE					
COMPENSATED ABSENCES	685				
AMOUNT HELD IN CUSTODY FOR OTHERS					
DEFERRED REVENUE	1,515	1,012	143		7,761
OTHER LIABILITIES		222			
TOTAL CURRENT LIABILITIES	<u>3,542</u>	<u>2,167</u>	<u>5,374</u>	<u>1,418</u>	<u>15,679</u>
LONG-TERM LIABILITIES:					
CAPITAL LEASE OBLIGATIONS			19,027		
BONDS PAYABLE				87,394	
COMPENSATED ABSENCES					1,543
OTHER LONG-TERM LIABILITIES					507
TOTAL LONG-TERM LIABILITIES			<u>19,027</u>	<u>87,394</u>	<u>2,050</u>
TOTAL LIABILITIES	<u>3,542</u>	<u>2,167</u>	<u>24,401</u>	<u>88,812</u>	<u>17,729</u>
FUND EQUITY:					
CONTRIBUTED CAPITAL	72,277	20,653			
RETAINED EARNINGS:					
RESERVED FOR:					
REVENUE BOND RETIREMENT				45,173	45,156
UNRESERVED	45,581	5,143	(6,075)	68,015	6,169
TOTAL FUND EQUITY	<u>117,858</u>	<u>25,796</u>	<u>(6,075)</u>	<u>113,188</u>	<u>51,325</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 121,400</u>	<u>\$ 27,963</u>	<u>\$ 18,326</u>	<u>\$ 202,000</u>	<u>\$ 69,054</u>

Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 1997
\$ 156,922	\$ 168	\$ 230,653	\$ 62,662	\$ 19	\$ 263	\$ 10,144	\$ 487,871
677		22,091	12,965	6	65	908	54,091
8,059	95	4,544	2,507				57,268
70		102					19,254
							304
							1,476
							4
165,728	263	257,390	78,134	25	328	11,052	620,268
39,418	5,747	65,025	37,374	490	4,397	1,210	183,622
304,595		776,553	268,674			7,168	1,443,078
4,905		12,401	1,856			686	21,127
							63,001
348,918	5,747	853,979	307,904	490	4,397	9,064	1,710,828
		721					14,955
		10,111					208,002
2,301		2,631					47,889
(1,277)		(4,120)					(116,296)
		273					7,156
1,024		9,616					161,706
\$ 515,670	\$ 6,010	\$ 1,120,985	\$ 386,038	\$ 515	\$ 4,725	\$ 20,116	\$ 2,492,802
\$ 11,856	\$	\$ 32,740	\$ 2,595	\$	\$ 309	\$ 349	\$ 63,216
							37
			5,175				1,413
31,135		45,103	8,997			1,463	5,200
146							86,698
	6,010						831
		1,683			48		6,010
		2,110	243				12,162
43,137	6,010	81,636	17,010		357	1,812	2,575
							178,142
421,835		845,353	173,205				19,027
						38,932	1,566,719
							1,543
421,835		845,353	173,205				507
464,972	6,010	926,989	190,215		357	40,744	1,587,796
							1,765,938
							92,930
40,243		157,457					288,029
10,455		36,539	195,823	515	4,368	(20,628)	345,905
50,698		193,996	195,823	515	4,368	(20,628)	726,864
\$ 515,670	\$ 6,010	\$ 1,120,985	\$ 386,038	\$ 515	\$ 4,725	\$ 20,116	\$ 2,492,802

**COMMONWEALTH OF KENTUCKY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS**  
**COMPONENT UNITS - PROPRIETARY FUND TYPES**  
**FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center for the Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority	Kentucky Higher Education Assistance Authority
OPERATING REVENUES:					
CHARGES FOR SERVICES	\$ 24,839	\$ 3,017	\$ 1,100	\$ 724	\$ 1,469
INTEREST AND OTHER INVESTMENT INCOME			24	10,193	2,042
AMORTIZATION OF PREMIUM ON LEASES					
OTHER REVENUES	2,724	133	2,124	17	8,402
<b>TOTAL OPERATING REVENUES</b>	<b>27,563</b>	<b>3,150</b>	<b>3,248</b>	<b>10,934</b>	<b>11,913</b>
OPERATING EXPENSES:					
PERSONAL SERVICES	14,984	4,487	8,610	820	5,929
UTILITIES, RENTALS, AND OTHER SERVICES	10,078	421	2,167	367	2,052
COMMODITIES AND SUPPLIES	848	373	208		710
GRANTS AND SUBSIDIES		86			32,219
DEPRECIATION AND AMORTIZATION	5,246	1,209	2,247	73	646
INTEREST				4,686	
TRAVEL	92	64	175	12	122
OTHER EXPENSES		1,339	8,348	288	2,736
<b>TOTAL OPERATING EXPENSES</b>	<b>31,248</b>	<b>7,979</b>	<b>21,755</b>	<b>6,246</b>	<b>44,414</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(3,685)</b>	<b>(4,829)</b>	<b>(18,507)</b>	<b>4,688</b>	<b>(32,501)</b>
NONOPERATING REVENUES (EXPENSES):					
INTERGOVERNMENTAL REVENUES		1,574			
GRANTS AND DONATIONS		551	4,002		390
MEMBERSHIP REVENUE		317			
KENTUCKY CENTER FOR THE ARTS ENDOWMENT		710	10		
GAIN (LOSS) ON SALE OF FIXED ASSETS		(18)			
INTEREST AND OTHER INVESTMENT INCOME	131	89			
INTEREST EXPENSE			(1,378)		(893)
OTHER REVENUE (EXPENSES)	876	(181)	(1,430)		
<b>TOTAL NONOPERATING REVENUE (EXPENSES)</b>	<b>1,007</b>	<b>3,042</b>	<b>1,204</b>		<b>(503)</b>
<b>INCOME (LOSS) BEFORE OPERATING TRANSFERS AND EXTRAORDINARY ITEM</b>	<b>(2,678)</b>	<b>(1,787)</b>	<b>(17,303)</b>	<b>4,688</b>	<b>(33,004)</b>
TRANSFERS FROM PRIMARY GOVERNMENT	407	2,507	15,761		30,098
TRANSFERS FROM COMPONENT UNITS					2,500
TRANSFERS TO PRIMARY GOVERNMENT	(371)		(1)		(336)
TRANSFERS TO COMPONENT UNITS					
<b>NET INCOME (LOSS)</b>	<b>(2,642)</b>	<b>720</b>	<b>(1,543)</b>	<b>4,688</b>	<b>(742)</b>
ADD DEPRECIATION ON FIXED ASSETS ACQUIRED BY CAPITAL GRANTS	4,510	789			
<b>INCREASE (DECREASE) IN RETAINED EARNINGS</b>	<b>1,868</b>	<b>1,509</b>	<b>(1,543)</b>	<b>4,688</b>	<b>(742)</b>
<b>RETAINED EARNINGS AT JULY 1, AS RESTATED</b>	<b>43,713</b>	<b>3,634</b>	<b>(4,532)</b>	<b>108,500</b>	<b>52,067</b>
<b>RETAINED EARNINGS AT JUNE 30</b>	<b>\$ 45,581</b>	<b>\$ 5,143</b>	<b>\$ (6,075)</b>	<b>\$ 113,188</b>	<b>\$ 51,325</b>

Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 1997
\$ 32,848		\$ 8,164	\$ 453		\$ 88	\$ 4,944	\$ 44,798
		72,853	15,079		249	1,084	134,372
						96	96
2,873			394				16,667
35,721		81,017	15,926		337	6,124	195,933
	54	7,136	1,435		31		43,486
	68	1,791					16,944
	1	424					2,564
		3,329			13	784	36,431
1,130		1,407	406			62	12,426
18,322		52,306	12,575			2,108	89,997
	2	286					753
9,562	211	9,114				41	31,639
29,014	336	75,793	14,416		44	2,995	234,240
6,707	(336)	5,224	1,510		293	3,129	(38,307)
							1,574
			35,536				40,479
							317
							720
							(18)
				2			222
							(2,271)
		(314)					(1,049)
		(314)	35,536	2			39,974
6,707	(336)	4,910	37,046	2	293	3,129	1,667
	336		10,201				59,310
					(2)		2,500
(2,500)							(710)
4,207		4,910	47,247	2	291	3,129	(2,500)
							60,267
							5,299
4,207		4,910	47,247	2	291	3,129	65,566
46,491		189,086	148,576	513	4,077	(23,757)	568,368
\$ 50,698	\$	\$ 193,996	\$ 195,823	\$ 515	\$ 4,368	\$ (20,628)	\$ 633,934

**COMMONWEALTH OF KENTUCKY  
COMBINING STATEMENT OF CASH FLOWS  
COMPONENT UNITS - PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	Kentucky State Fair Board	Kentucky Center For The Arts	Kentucky Educational Television Authority	Kentucky Economic Development Finance Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
CASH RECEIVED FROM CUSTOMERS - PUBLIC	\$ 26,595	\$ 3,037	\$ 7,659	\$ 4,715
COLLECTION OF PROGRAM LOANS				21,089
PROGRAM LOANS ISSUED				(8,493)
CASH PAYMENTS TO SUPPLIERS FOR GOODS AND SERVICES	(14,101)	(3,167)	(11,804)	
CASH PAYMENTS FOR EMPLOYEE SALARIES AND BENEFITS	(11,734)	(3,330)	(8,811)	(820)
CASH PAYMENTS (TO) FROM OTHER SOURCES		133		(463)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>760</u>	<u>(3,327)</u>	<u>(12,956)</u>	<u>16,028</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
PROCEEDS FROM BOND ISSUANCE				
PROCEEDS FROM SALE OF REVENUE BONDS FOR COST OF ISSUANCE				
PRINCIPAL PAYMENT ON DEBT				
DEBT RELATED EXPENSES				(4,612)
SUBSIDIES		2,997	15,761	
OPERATING TRANSFERS-IN FROM OTHER FUNDS	990	2,507		
OPERATING TRANSFERS-OUT TO OTHER FUNDS				
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>990</u>	<u>5,504</u>	<u>15,761</u>	<u>(4,612)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(4,075)	(1,848)	(1,616)	
PRINCIPAL PAID ON REVENUE BOND MATURITIES AND EQUIPMENT CONTRACTS	(371)		(1,239)	
INCREASE IN RESTRICTED ASSET - CONSTRUCTION ACCOUNT	(6,316)			
RESTRICTED INCOME - CONSTRUCTION	292			
INTEREST PAID ON REVENUE BOND AND EQUIPMENT CONTRACTS			(1,280)	
CONTRIBUTED CAPITAL	8,355			
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,115)</u>	<u>(1,848)</u>	<u>(4,135)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
PURCHASE OF INVESTMENT SECURITIES	(1,906)	(156)	(978)	(136,600)
PROCEEDS FROM SALE AND MATURITIES OF INVESTMENT SECURITIES		230	1,136	117,769
INTEREST AND DIVIDENDS ON INVESTMENTS	131	89		5,953
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,775)</u>	<u>163</u>	<u>158</u>	<u>(12,878)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,140)</u>	<u>492</u>	<u>(1,172)</u>	<u>(1,462)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,812	836	2,466	2,031
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,672</u>	<u>\$ 1,328</u>	<u>\$ 1,294</u>	<u>\$ 569</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
OPERATING INCOME (LOSS)	\$ (3,685)	\$ (4,829)	\$ (18,507)	\$ 4,688
ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
PROVISION FOR UNCOLLECTIBLE ACCOUNTS				
DEPRECIATION AND AMORTIZATION	5,246	1,209	2,247	73
INTEREST AND OTHER INVESTMENT INCOME				(6,126)
INTEREST EXPENSE				
MISCELLANEOUS NONOPERATING INCOME (EXPENSES)			2,431	4,693
CHANGE IN ASSETS AND LIABILITIES:				
(INCREASE) DECREASE IN ASSETS				
RECEIVABLES, NET	(414)	20	(144)	12,700
INVENTORIES		8	63	
PREPAID EXPENSES	147	(3)		
OTHER ASSETS			29	
INCREASE (DECREASE) IN LIABILITIES				
ACCOUNTS PAYABLE	20	268	732	
COMPENSATED ABSENCES			193	
OTHER LIABILITIES				
DEFERRED REVENUE	(554)			
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 760</u>	<u>\$ (3,327)</u>	<u>\$ (12,956)</u>	<u>\$ 16,028</u>

THROUGH CONTRIBUTED CAPITAL, STATE FAIR BOARD ACQUIRED FIXED ASSETS COSTING \$2,039,(000).

Kentucky Higher Education Assistance Authority	Kentucky Higher Education Student Loan Corporation	Kentucky Educational Savings Plan Trust	Kentucky Housing Corporation	Kentucky Infrastructure Authority	Kentucky Agricultural Finance Corporation	Kentucky Grain Insurance Corporation	Kentucky Local Correctional Facilities Construction Authority	Totals June 30, 1997
\$ 69,172	\$ 9,259	\$ 1,307	\$ 8,374	\$ 453	\$	\$ 88	\$ 4,885	\$ 135,544
286	83,454		132,539	12,548			840	250,756
(1,706)	(88,344)		(130,911)	(47,292)				(276,746)
(97,365)	(22,998)	(336)	(9,490)	(1,435)			(2,157)	(162,853)
(5,983)	(3,088)		(7,422)					(41,188)
	(6,102)	(207)				(13)	(784)	(7,436)
(35,596)	(27,819)	764	(6,910)	(35,726)		75	2,784	(101,923)
	165,370		115,402	5,175				285,947
	(1,396)							(1,396)
	(20,040)		(78,471)	(10,770)				(109,281)
			(52,676)	(11,407)				(68,695)
				45,737				64,495
32,598		336						36,431
(336)	(2,500)					(2)		(2,838)
32,262	141,434	336	(15,745)	28,735		(2)		204,663
(646)	(244)		(1,286)					(9,715)
							(1,440)	(3,050)
								(6,316)
								292
								(1,280)
								8,355
(646)	(244)		(1,286)				(1,440)	(11,714)
(3,395)	(605,772)	(1,947)	(496,250)	(96,473)	(234)	(1,803)		(1,345,514)
19,650	597,938	451	520,772	77,832				1,335,778
2,146	4,859	294	15,577	15,841	2	239	484	45,615
18,401	(2,975)	(1,202)	40,099	(2,800)	(232)	(1,564)	484	35,879
14,421	110,396	(102)	16,158	(9,791)	(232)	(1,491)	1,828	126,905
7,756	46,526	270	214,495	72,453	251	1,754	8,316	360,966
\$ 22,177	\$ 156,922	\$ 168	\$ 230,653	\$ 62,662	\$ 19	\$ 263	\$ 10,144	\$ 487,871
\$ (32,501)	\$ 6,707	\$ (336)	\$ 5,224	\$ 1,510	\$	\$ 293	\$ 3,129	\$ (38,307)
			5,958					5,958
646	1,130		1,407	406			(34)	12,330
(1,546)	(5,356)		37,353	(15,472)		(239)	(484)	8,130
				12,576				12,576
(2,306)	(30,938)	1,098	(2,067)					(27,089)
1,186	(2,505)		(53,828)	(34,746)		(28)	173	(77,586)
								71
	(8)		(396)					(260)
(78)								(49)
(1,123)	3,104	2	909			31		3,943
126	47							366
			(1,680)					(1,680)
			210			18		(326)
(35,596)	(27,819)	764	(6,910)	(35,726)		75	2,784	(101,923)



**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY**  
**BUDGET AND ACTUAL (BUDGETARY BASIS) - BUDGETED COMPONENT UNIT**  
**FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>COMMERCE-STATE FAIR BOARD</b>			
REVENUES:			
CHARGES FOR SERVICES	\$	\$ 24,957	\$
FINES AND FORFEITS		1	
OTHER REVENUES		2	
TRANSFERS IN (INTERFUND)		45	
TRANSFERS IN (INTRAFUND)		371	
TOTAL REVENUES	<u>                    </u>	<u>25,376</u>	<u>                    </u>
EXPENSES	<u>23,226</u>	<u>23,222</u>	<u>4</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES		2,154	
FUND EQUITY AT JULY 1		90,938	
NON-BUDGETED ITEMS		(2,075)	
FIXED ASSET ALLOCATION		27,095	
FUND EQUITY AT JUNE 30	<u>\$</u>	<u>\$ 118,112</u>	<u>\$</u>

**COMMONWEALTH OF KENTUCKY  
COMBINING BALANCE SHEET  
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS  
JUNE 30, 1997**

(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
<b>ASSETS</b>			
CASH AND CASH EQUIVALENTS	\$ 301,647	\$ 66,889	\$ 42,177
CASH HELD IN TRUST		49,186	
INVESTMENTS, NET OF AMORTIZATION	352,111	112,419	20,488
RECEIVABLES, NET:			
STATE AGENCIES	400		2,704
OTHERS	161,182	69,482	9,799
INTERFUND RECEIVABLES	117,048	5,921	245
INVENTORIES	13,814	1,291	2,812
LAND	26,254	22,209	3,037
IMPROVEMENTS OTHER THAN BUILDINGS	37,324		9,786
BUILDINGS	805,711	383,463	148,628
MACHINERY AND EQUIPMENT	319,312	88,663	48,372
LIBRARY BOOKS	79,518	51,448	24,423
LIVESTOCK			378
CONSTRUCTION IN PROGRESS	82,329		938
OTHER ASSETS	6,949	2,915	1,932
TOTAL ASSETS	<u>\$ 2,303,599</u>	<u>\$ 853,886</u>	<u>\$ 315,719</u>
<b>LIABILITIES AND FUND EQUITY</b>			
LIABILITIES:			
ACCOUNTS PAYABLE:			
STATE AGENCIES	\$ 304	\$ 44,693	\$ 105
OTHERS	48,754	44,693	2,772
ACCRUED LIABILITIES	47,824		1,408
INTERFUND PAYABLES	117,048	5,921	245
CAPITAL LEASE OBLIGATIONS	38,548	7,501	5,943
NOTES PAYABLE	77	3,500	
BONDS PAYABLE	318,478	177,982	62,270
AMOUNTS HELD IN CUSTODY FOR OTHERS	391		503
DEPOSITS AND ADVANCE PAYMENTS	2,366	1,808	498
DEFERRED REVENUE	12,666	11,954	2,417
OTHER LIABILITIES	47,130	11,385	2,300
TOTAL LIABILITIES	<u>633,586</u>	<u>264,744</u>	<u>78,461</u>
FUND EQUITY:			
INVESTMENT IN FIXED ASSETS	998,264	390,161	167,984
FUND BALANCE:			
RESERVED FOR:			
ENCUMBRANCES	1,349	4,769	1,703
CAPITAL OUTLAY	80,691	30,909	19,867
RESTRICTED GIFTS, GRANTS, AND CONTRACTS	452,738	80,768	47,599
UNRESERVED:			
DESIGNATED FOR UNIVERSITIES AND COLLEGES	136,971	82,535	105
TOTAL FUND EQUITY	<u>1,670,013</u>	<u>589,142</u>	<u>237,258</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 2,303,599</u>	<u>\$ 853,886</u>	<u>\$ 315,719</u>

Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Totals June 30, 1997
\$ 3,093	\$ 9,764	\$ 4,473	\$ 6,060	\$ 6,776	\$ 440,879
54,263	10,260	20,767	19,162	16,999	49,186
482	343	458	522		606,469
9,277	4,882	6,459	3,910	4,737	4,909
1,078	1,097	4,911	888	159	269,728
1,185	1,975	1,429	1,091	621	131,347
1,508	7,231	2,678	2,970	838	24,218
3,885		8,721	2,866	81	66,725
108,600	113,550	93,370	114,139	68,353	62,663
32,910	26,340	25,671	21,960	15,970	1,835,814
19,436	10,355	18,133	16,773	6,326	579,198
	18				226,412
27,647	567	13,291	1,183	20,870	396
6,009	50	13,910	1,661	106	146,825
<u>\$ 269,373</u>	<u>\$ 186,432</u>	<u>\$ 214,271</u>	<u>\$ 193,185</u>	<u>\$ 141,836</u>	<u>\$ 4,478,301</u>
\$ 15	\$ 1,190	\$ 28	\$ 13	\$ 1,029	\$ 465
1,179	2,978	1,869	2,054	2,861	103,540
2,692	1,097	3,896	2,994	2,861	64,653
1,078	15,004	4,911	888	159	131,347
7,173	498	4,484	15,062	805	94,520
	31,925	400	3,313		7,788
57,017	595	25,065	53,940	21,665	748,342
897	13	180	880	125	3,571
	375	278	179		5,142
3,339	1,042	880	2,915	259	34,805
34			156		62,047
<u>73,424</u>	<u>54,717</u>	<u>41,991</u>	<u>82,394</u>	<u>26,903</u>	<u>1,256,220</u>
130,192	110,634	133,862	87,384	83,868	2,102,349
1,744		454	271		10,290
25,654	7,081	10,139	10,490	22,426	207,257
22,037	13,238	27,825	11,946	8,639	664,790
16,322	762		700		237,395
<u>195,949</u>	<u>131,715</u>	<u>172,280</u>	<u>110,791</u>	<u>114,933</u>	<u>3,222,081</u>
<u>\$ 269,373</u>	<u>\$ 186,432</u>	<u>\$ 214,271</u>	<u>\$ 193,185</u>	<u>\$ 141,836</u>	<u>\$ 4,478,301</u>

**COMMONWEALTH OF KENTUCKY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES  
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE CURRENT FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
<b>REVENUES:</b>			
TUITION AND FEES	\$ 129,794	\$ 62,366	\$ 31,656
FEDERAL GRANTS AND CONTRACTS	34,683	23,925	21,088
STATE/LOCAL GRANTS AND CONTRACTS	9,291	4,367	7,638
PRIVATE GIFTS, GRANTS AND CONTRACTS	58,063	10,166	771
ENDOWMENT INCOME	4,473		
SALES AND SERVICES OF EDUCATION ACTIVITIES	43,947	449	4,081
SALES AND SERVICES OF AUXILIARY ENTERPRISES AND HOSPITALS	338,558	25,412	15,969
OTHER REVENUES	33,712	93,634	4,357
<b>TOTAL CURRENT REVENUES</b>	<b>652,521</b>	<b>220,319</b>	<b>85,560</b>
<b>EXPENDITURES AND TRANSFERS:</b>			
<b>EDUCATIONAL AND GENERAL:</b>			
INSTRUCTION	243,959	129,046	48,022
RESEARCH	52,418	24,269	468
PUBLIC SERVICE	110,124	49,971	8,851
ACADEMIC SUPPORT	35,020	22,096	18,078
LIBRARIES	23,507	11,037	3,678
STUDENT SERVICES	26,107	9,996	7,336
INSTITUTIONAL SUPPORT	43,257	24,741	10,426
STUDENT FINANCIAL AID	58,684	18,048	14,031
MAINTENANCE AND OPERATION	39,261	18,275	11,281
OTHER EXPENDITURES	801		
<b>TOTAL EDUCATIONAL AND GENERAL EXPENDITURES</b>	<b>633,138</b>	<b>307,479</b>	<b>122,171</b>
<b>MANDATORY TRANSFERS FOR:</b>			
PRINCIPAL AND INTEREST	29,606	13,703	4,839
LOAN FUND	88	41	6
UNEXPENDED PLANT FUND	2,054		
RETIREMENT OF INDEBTEDNESS			
<b>NON-MANDATORY TRANSFERS FOR:</b>			
CURRENT FUND - UNRESTRICTED	(18,266)		
CURRENT FUND - RESTRICTED	(3,865)		
LOAN FUND			
ENDOWMENT AND SIMILAR FUNDS	10	506	
UNEXPENDED PLANT FUND	37,668	16,367	
RENEWAL AND REPLACEMENT			
<b>TOTAL EDUCATIONAL AND GENERAL</b>	<b>680,433</b>	<b>338,096</b>	<b>127,016</b>
<b>AUXILIARY ENTERPRISES AND HOSPITALS:</b>			
EXPENDITURES	308,143	41,045	14,579
<b>MANDATORY TRANSFERS FOR:</b>			
PRINCIPAL AND INTEREST	4,726	1,400	1,641
RENEWAL AND REPLACEMENT			
RETIREMENT OF INDEBTEDNESS			
<b>NON-MANDATORY TRANSFERS:</b>			
CURRENT FUND - UNRESTRICTED	6,273		
AUXILIARY ENTERPRISES AND HOSPITALS - UNRESTRICTED	(6,773)		
UNEXPENDED PLANT FUND	1,253	488	
RENEWAL AND REPLACEMENT	1,797		
<b>TOTAL AUXILIARY ENTERPRISES AND HOSPITALS</b>	<b>315,419</b>	<b>42,933</b>	<b>16,220</b>
<b>TOTAL EXPENDITURES AND TRANSFERS</b>	<b>995,852</b>	<b>381,029</b>	<b>143,236</b>
<b>OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS):</b>			
TRANSFERS FROM PRIMARY GOVERNMENT	349,697	148,790	57,991
TRANSFERS TO PRIMARY GOVERNMENT	(3,240)	(3)	(5)
EXCESS OF RESTRICTED RECEIPTS OVER TRANSFERS TO REVENUE	25,010	13,523	82
INDIRECT COST RECOVERED		3,971	
REFUNDS TO GRANTORS			(55)
OTHER TRANSFERS AND ADDITIONS (DEDUCTIONS)		574	
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>\$ 28,136</b>	<b>\$ 6,145</b>	<b>\$ 337</b>

Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Totals June 30, 1997
\$ 29,759	\$ 19,537	\$ 22,927	\$ 31,071	\$ 6,086	\$ 333,196
15,021	24,754	7,354	4,762	11,294	142,881
3,687	3,621	2,901	2,272	199	33,976
1,517	1,057	972	664		73,210
		473			4,946
6,108	846	2,621	977		59,029
12,681	8,553	13,177	6,079	3,820	424,249
4,363	2,432	3,460	2,298	950	145,206
<u>73,136</u>	<u>60,800</u>	<u>53,885</u>	<u>48,123</u>	<u>22,349</u>	<u>1,216,693</u>
46,221	25,979	31,908	26,562	10,229	561,926
2,898	275	1,468	349	3,456	85,601
8,073	4,291	3,791	1,914	2,953	189,968
5,012	4,252	4,186	4,474	2,355	95,473
4,790	2,086	2,433	3,416		50,947
9,511	6,664	6,307	5,497	3,751	75,169
11,990	6,874	7,284	9,722	4,334	118,628
12,243	25,797	11,700	7,981	3,865	152,349
9,262	4,645	8,558	5,892	3,416	100,590
g					810
<u>110,009</u>	<u>80,863</u>	<u>77,635</u>	<u>65,807</u>	<u>34,359</u>	<u>1,431,461</u>
4,267	3,377	3,756	4,907	2,833	67,288
16		1	19		171
			165		2,054
					165
(447)		(181)		(45)	(18,939)
90					(3,865)
		231			90
1,790	57	1,000	446	224	747
		2,046		1,100	57,552
<u>115,725</u>	<u>84,297</u>	<u>84,488</u>	<u>71,344</u>	<u>38,471</u>	<u>3,146</u>
10,170	7,180	12,675	4,304	3,259	1,539,870
2,211	2,128	594	330		401,355
	64		17		13,030
			1,117		81
		77			1,117
		96	260		6,350
<u>12,381</u>	<u>9,372</u>	<u>13,442</u>	<u>6,028</u>	<u>3,259</u>	(6,773)
<u>128,106</u>	<u>93,669</u>	<u>97,930</u>	<u>77,372</u>	<u>41,730</u>	2,097
					1,797
54,649	33,922	41,700	31,566	19,579	419,054
(12)	(368)	(5)	(1)		6,350
40		1,461	113	1	(6,773)
769		284	181	169	2,097
(81)		(24)	(32)	(232)	1,797
	455				419,054
<u>\$ 395</u>	<u>\$ 1,140</u>	<u>\$ (629)</u>	<u>\$ 2,578</u>	<u>\$ 136</u>	<u>\$ 38,238</u>

**COMMONWEALTH OF KENTUCKY  
COMBINING STATEMENT OF CHANGES IN FUND BALANCE  
COMPONENT UNITS - ALL UNIVERSITY AND COLLEGE FUNDS  
FOR THE YEAR ENDED JUNE 30, 1997**

(Expressed in Thousands)

	University of Kentucky	University of Louisville	Eastern Kentucky University
REVENUES AND OTHER ADDITIONS:			
EDUCATIONAL AND GENERAL REVENUES	\$ 250,148	\$ 150,919	\$ 41,399
AUXILIARY ENTERPRISES AND HOSPITALS REVENUES	338,558	26,901	15,734
INDIRECT COST RECOVERED		3,971	
RESTRICTED GRANTS AND CONTRACTS	161,358	38,736	28,009
RESTRICTED GIFTS AND GRANTS	32,762	25,620	3,615
ENDOWMENT INCOME	4,441		
INTEREST AND OTHER INVESTMENT INCOME	44,905	8,822	1,246
EXPENDED FOR PLANT FACILITIES	98,110	32,182	5,579
RETIREMENT OF INDEBTEDNESS	21,389	8,131	4,820
OTHER REVENUES AND ADDITIONS	78,096	21,474	1,666
TOTAL REVENUES AND OTHER ADDITIONS	<u>1,029,767</u>	<u>316,756</u>	<u>102,068</u>
EXPENDITURES AND OTHER DEDUCTIONS:			
EDUCATIONAL AND GENERAL EXPENDITURES	633,138	307,479	121,295
AUXILIARY ENTERPRISES AND HOSPITALS EXPENDITURES	308,143	41,045	14,579
REFUNDS TO GRANTORS	10		55
ADMINISTRATIVE, COLLECTION, AND LITIGATION COSTS	155		68
LOAN CANCELLATIONS	127	254	156
PAYMENT TO BENEFICIARIES			619
EXPENDED FOR PLANT FACILITIES	76,108	29,483	1,484
RETIREMENT OF INDEBTEDNESS	21,869	8,131	4,820
INTEREST PAYMENTS	18,667	9,183	3,729
DISPOSAL OF PLANT FACILITIES	34,965	1,962	2,815
NOTES ISSUED			
OTHER EXPENDITURES	154,003	1,788	8,473
TOTAL EXPENDITURES AND OTHER DEDUCTIONS	<u>1,247,185</u>	<u>399,325</u>	<u>158,093</u>
TRANSFERS AMONG FUNDS - ADDITIONS (DEDUCTIONS):			
NON-MANDATORY TRANSFERS FOR:			
TRANSFERS FROM PRIMARY GOVERNMENT	374,777	150,074	61,991
TRANSFERS TO PRIMARY GOVERNMENT	(3,263)	(3)	(5)
TOTAL TRANSFERS AMONG FUNDS	<u>371,514</u>	<u>150,071</u>	<u>61,986</u>
INCREASE (DECREASE) IN FUND BALANCE	154,096	67,502	5,961
FUND BALANCE AT JULY 1, AS RESTATED	1,515,917	521,640	231,297
FUND BALANCE AT JUNE 30	<u>\$ 1,670,013</u>	<u>\$ 589,142</u>	<u>\$ 237,258</u>

Western Kentucky University	Morehead State University	Murray State University	Northern Kentucky University	Kentucky State University	Totals June 30, 1997
\$ 40,230	\$ 22,815	\$ 27,725	\$ 31,086	\$ 18,466	\$ 582,788
12,681	8,553	13,177	6,079	3,820	425,503
769		284	181		5,205
18,708	29,433	10,257	7,466	6	293,973
2,517		2,155	1,696		68,365
					4,441
1,612	251	3,005	532	640	61,013
6,049	5,248	10,180	6,154	1,475	164,977
3,509	3,767	3,142	3,759	1,481	49,998
670	2,706	2,764	4,672	668	112,716
<u>86,745</u>	<u>72,773</u>	<u>72,689</u>	<u>61,625</u>	<u>26,556</u>	<u>1,768,979</u>
110,009	80,863	77,635	65,807	34,358	1,430,584
10,170	7,180	12,675	4,304	3,259	401,355
81		24	36		206
161	8	64	69	205	730
275	77	71	27	23	1,010
					619
667	5,485	4,705	2,136		120,068
3,347	3,767	3,142	3,279	1,350	49,705
3,310	2,692	1,458	4,279	1,480	44,798
393	23	3,937	885	73	45,053
	733		3,710		4,443
1,288	356	1,292	176	19	167,395
<u>129,701</u>	<u>101,184</u>	<u>105,003</u>	<u>84,708</u>	<u>40,767</u>	<u>2,265,966</u>
58,649	33,922	41,730	33,163	19,579	773,885
(121)	(368)	(658)	(1)		(4,419)
<u>58,528</u>	<u>33,554</u>	<u>41,072</u>	<u>33,162</u>	<u>19,579</u>	<u>769,466</u>
15,572	5,143	8,758	10,079	5,368	272,479
180,377	126,572	163,522	100,712	109,565	2,949,602
<u>\$ 195,949</u>	<u>\$ 131,715</u>	<u>\$ 172,280</u>	<u>\$ 110,791</u>	<u>\$ 114,933</u>	<u>\$ 3,222,081</u>

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## STATISTICAL SECTION

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The **Statistical Section** gives report users a better historical perspective of financial information that may assist in assessing current financial status and trends of the Commonwealth. In addition, certain demographic and economic data have been presented that will allow a broader understanding of the economic and social environment in which State Government operates.

**COMMONWEALTH OF KENTUCKY  
REVENUES BY SOURCE  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST TEN FISCAL YEARS  
(Expressed in Thousands)**

SOURCES	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Taxes:										
Sales & Gross Receipts	\$ 1,608,557	\$ 1,750,337	\$ 1,793,125	\$ 1,931,992	\$ 2,259,989	\$ 2,442,419	\$ 2,539,066	\$ 2,739,653	\$ 2,873,176	\$ 3,018,770
Individual Income	1,003,287	1,149,519	1,228,462	1,642,691	1,629,678	1,676,263	1,870,096	1,964,960	2,080,418	2,201,574
Corporation Income	255,704	310,793	279,494	319,338	271,022	254,797	269,048	340,913	289,508	291,536
Property	270,087	281,886	303,347	323,378	339,590	353,711	370,200	386,389	409,175	440,973
License & Privilege	85,430	94,096	101,174	110,046	111,315	117,471	114,052	137,578	130,778	145,178
Severance	186,667	182,966	196,945	188,924	185,020	180,704	181,340	177,826	185,019	185,744
Inheritance & Estate	48,785	53,752	67,013	68,597	77,241	71,040	76,173	79,531	82,673	93,962
Miscellaneous	51,618	104,839	111,662	118,327	116,692	125,636	120,036	117,077	104,819	109,451
Total Taxes	<u>3,510,135</u>	<u>3,928,188</u>	<u>4,081,222</u>	<u>4,703,293</u>	<u>4,990,547</u>	<u>5,222,041</u>	<u>5,540,011</u>	<u>5,943,927</u>	<u>6,155,566</u>	<u>6,487,188</u>
Intergovernmental Revenue	1,613,119	1,624,227	1,814,810	2,158,400	2,520,376	2,687,598	2,657,925	3,307,139	3,394,888	3,625,241
Charges for Services	205,426	149,195	172,827	167,144	140,798	147,617	192,659	222,309	277,165	262,366
Licenses, Fees & Permits	91,739	114,074	119,750	126,840	138,877	161,510	134,161	160,975	163,331	164,557
Fines & Forfeitures	35,164	33,792	40,530	41,106	39,229	39,972	38,563	40,720	40,485	48,538
Interest & Investments	111,309	93,473	115,831	108,962	112,519	107,210	90,931	112,124	148,908	155,878
Other Income	82,380	76,944	90,050	136,338	80,241	123,951	93,683	133,506	133,524	193,206
Total Non-Tax Income	<u>2,139,137</u>	<u>2,091,705</u>	<u>2,353,798</u>	<u>2,738,790</u>	<u>3,032,040</u>	<u>3,267,858</u>	<u>3,207,922</u>	<u>3,976,773</u>	<u>4,158,301</u>	<u>4,449,786</u>
Total Revenues	<u>\$ 5,649,272</u>	<u>\$ 6,019,893</u>	<u>\$ 6,435,020</u>	<u>\$ 7,442,083</u>	<u>\$ 8,022,587</u>	<u>\$ 8,489,899</u>	<u>\$ 8,747,933</u>	<u>\$ 9,920,700</u>	<u>\$ 10,313,867</u>	<u>\$ 10,936,974</u>

**COMMONWEALTH OF KENTUCKY  
EXPENDITURES BY FUNCTION  
ALL GOVERNMENTAL FUND TYPES  
FOR THE LAST TEN FISCAL YEARS  
(Expressed in Thousands)**

FUNCTIONS	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
General Government	\$ 285,298	\$ 374,234	\$ 338,573	\$ 300,969	\$ 236,096	\$ 444,901	\$ 452,593	\$ 418,256	\$ 494,599	\$ 593,500
Legislative & Judicial	93,075	93,813	103,564	111,920	119,345	120,036	128,575	132,421	147,563	150,604
Commerce	30,051	42,043	48,225	40,485	41,512	37,279	37,656	42,430	42,704	44,408
Education & Humanities	1,631,588	1,669,905	1,935,653	2,302,807	2,511,764	2,578,179	2,663,797	2,835,220	2,962,449	3,076,843
Energy	11,097	1,974								
Human Resources	1,640,146	1,732,736	2,010,819	2,495,859	2,916,988	3,129,059	3,077,162	3,818,430	3,819,907	4,220,653
Justice	78,228	89,452	79,958	98,068	101,291	229,972	232,221	255,424	282,999	340,100
Natural Resources and										
Environmental Protection	54,373	59,217	64,349	98,517	56,919	83,481	105,920	110,509	96,094	103,356
Corrections	100,953	111,557	128,093	150,637	158,260					
Public Protection and										
Regulation	64,414	64,445	68,341	72,138	73,888	83,322	79,816	86,411	94,124	105,763
Transportation	929,712	727,519	734,592	813,903	976,826	874,160	843,456	980,083	1,061,589	1,092,563
Capital Outlay	116,415	75,912	89,042	125,600	201,665	149,910	79,707	82,040	79,245	99,755
Debt Service	221,712	240,029	275,743	334,487	413,450	284,323	357,122	416,756	392,130	332,127
Total Expenditures	<u>\$ 5,257,062</u>	<u>\$ 5,282,836</u>	<u>\$ 5,876,952</u>	<u>\$ 6,945,390</u>	<u>\$ 7,808,004</u>	<u>\$ 8,014,622</u>	<u>\$ 8,058,025</u>	<u>\$ 9,177,980</u>	<u>\$ 9,473,403</u>	<u>\$ 10,159,672</u>

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Report

NOTE: In 1990 the Energy Function was distributed among other functions. In 1993 the Corrections Function was combined into the Justice Function.

**DESCRIPTION OF TAX SOURCES - ALL GOVERNMENTAL FUND TYPES**

JUNE 30, 1997

**SALES AND USE TAX** - On July 1, 1960, Kentucky became the thirty-fourth state to enact a sales and use tax. Although the tax was broad based at the time of its inception, the sales and use tax has been significantly eroded over the years with the passage of numerous exemptions. This has been partially offset with rate increases in 1968 (3% to 5%) and 1990 (5% to 6%), and expansion of the tax base in 1985 to cover leases and rentals of tangible personal property. During fiscal 1997, the sales and use tax continued to be the second largest generator of General Fund revenue for the Commonwealth.

**COAL SEVERANCE TAX** - Kentucky's coal severance tax became effective April 1, 1972, and was intended to replace a major portion of the revenue expected to be lost by the exemption of groceries from the sales tax. It was the first major severance tax among the states. The initial rate of 4% on the gross value of coal mined in Kentucky or thirty cents per ton, whichever is greater, was raised to 4.5% of the gross value of coal mined or fifty cents per ton, whichever is greater, in 1976. In 1978, the statute was revised to include the taxation of coal processing and add a deduction from the gross value for the cost of transportation. A 1986 amendment provides that coal producing and coal impact counties are to receive a minimum of 10% of coal severance and processing taxes for FY 1986-87 and 12% for subsequent years. The 1992 General Assembly increased this amount to 15% for FY 1992-93, 18% for 93-94, 25% for 94-95, and 50% for 95-96. (NOTE: HB 2 enacted by the 1994 Special Session of the General Assembly revised the allocations to 21% for 94-95 and 25% for 95-96. HB 379 enacted by the 1996 General Assembly revised the allocations to 28% for 96-97 and 31% for 97-98.)

**MOTOR FUELS TAX**- In 1920, Kentucky became the fifth state to adopt a gasoline tax. The initial rate of one cent per gallon reached five cents per gallon by 1926. Effective April 1, 1948, the tax per gallon was raised to seven cents, with two-sevenths of the total set aside for rural and secondary roads. On July 1, 1962, administration of the motor fuels use tax was transferred from the Department of Revenue to the Department of Motor Transportation, and on July 1, 1972, the tax rate increased to nine cents per gallon. Effective July 1, 1980, the rate was changed to 9% of the weighted average wholesale tank wagon price for sale in Kentucky. In no case shall the average wholesale price be deemed to be less than one dollar and eleven cents per gallon, nor more than

one dollar and fifty cents per gallon. On July 1, 1986, the tax on gasoline and LP gas was increased five cents per gallon and the tax on special fuels was increased two cents per gallon.

**MOTOR VEHICLE USAGE TAX** - Motor vehicles were originally taxed under the 3 percent gross receipts tax that was repealed in 1936. After repeal, a special 3 percent tax on motor vehicles was enacted. This tax is based on the "retail price" of the motor vehicles as defined by statute. The tax was increased to 5 percent in April 1968, and to 6 percent on July 1, 1990. The tax is paid to the county clerk when a vehicle is first registered in the owner's name. The proceeds derived from the tax are deposited to the Road Fund for use in the construction and maintenance of Kentucky's roads and bridges.

**MOTOR VEHICLE REGISTRATION FEE** - The 1936 General Assembly fixed a flat \$4.50 registration fee (plus fifty cents for the County Clerk) for passenger cars. Similar fees were enacted in 1938 for farm trucks and in 1944 for church buses, water well drillers, and certain wreckers. Truck licenses were changed to a graduated "gross weight" basis in 1964. The current \$11.50 fee for passenger cars, farm trucks, and the lightest trucks was passed in 1968. In 1973, all motor vehicle registration functions were transferred from the Department of Revenue to the Department of Transportation and the apportioned registration of commercial vehicles began. Current rates for heavier trucks range from \$24 (6,001-10,000 lbs.) to \$840 (73,281-82,000 lbs.) with extended weight tags required for still heavier vehicles.

**INDIVIDUAL INCOME TAX** - The individual income tax became effective for income earned during calendar year 1936 and produced its first revenue during fiscal year 1936-37. The initial rates ranged from 2% on the first \$3,000 of income to 5% on all over \$5,000. In 1950, a rate of 6% was imposed on income in excess of \$8,000. In 1954, Kentucky became the fourth state to implement a withholding system and also adopted the federal definition of net income. Currently, net income is computed using the Internal Revenue Code in effect on December 31, 1995, for tax years beginning after that date, modified for Kentucky differences between federal and Kentucky tax laws. Primary differences include the tax treatment of pension income and interest on federal obligations. The rates applied to net income are: 2% of the first \$3,000; 3% of the next \$1,000; 4% of the next \$1,000; 5% of the next \$3,000; and 6% of the excess over \$8,000. The present tax credit of \$20 went into effect in 1961 and the standard deduction of \$650 was adopted in 1976. The standard deduction increases to \$900 for 1997, \$1,200 for 1998, \$1,500 for 1999, and \$1,700 for tax years 2000 and later. A low income tax credit of 5% to 100% for single persons or married couples with adjusted gross income

of \$25,000 or less was enacted in 1990. A child and dependent care credit equal to 20% of the Federal credit is also allowed.

**CORPORATION INCOME TAX** - The corporate income tax was enacted to first apply to calendar year 1936 income. The rate was 4% of net income assigned to Kentucky after deduction of federal income taxes. This rate was changed to 4.5% in 1950 and again to 5% of the first \$25,000 of taxable income and 7% of all in excess thereof in 1956. In 1972, the federal tax deduction was removed and the state rate reduced to 4% of the first \$25,000 and 5.8% on the excess. Tax rates beginning on January 1, 1980, were: first \$25,000 at 3%; next \$25,000 at 4%; next \$50,000 at 5%; and the excess over \$100,000 at 6%. The 1985 Special Session of the General Assembly passed the Kentucky Equity Tax Act (KEITA) into law. KEITA mandated a State depreciation system separate from the federal system. This new Kentucky system allowed corporate taxpayers to recover the entire cost of property through depreciations compared to recovery of 71% of cost using the Accelerated Cost Recovery System (ACRS) as adjusted for under prior Kentucky Law. KEITA also added a new graduated rate of 7.25% of taxable income in excess of \$250,000 of taxable income effective August 1, 1985.

The 1990 General Assembly replaced the Kentucky depreciation system with the depreciation and expense deductions allowed by Sections 168 and 179 of the Internal Revenue Code in effect on December 31, 1989, effective for property placed in service after December 31, 1989. The tax rates beginning on January 1, 1990 are: first \$25,000 at 4%; next \$25,000 at 5%; next \$50,000 at 6%; next \$150,000 at 7%; and all over \$250,000 at 8.25%.

The 1994 General Assembly amended KRS 141.0101 to make Kentucky depreciation rules consistent with federal depreciation rules for all assets, regardless of when placed in service, effective for taxable years, beginning after December 31, 1993. To account for this change in depreciation rules, each taxpayer must determine the amount of any difference in Kentucky adjusted basis and federal adjusted basis (transition amount) as of the first day of the first taxable year beginning after December 31, 1993. The transition amount must be added to or subtracted from gross income in the first taxable year beginning after December 31, 1993, if the amount does not exceed \$100,000 or in equal amounts over 4 years if the amount exceeds \$100,000 or the taxpayer so elects.

The 1996 General Assembly amended KRS 141.120 to prohibit affiliated corporations from filing combined Kentucky income tax returns using the unitary business concept and allows affiliated corporations to elect to file consolidated Kentucky income tax

returns, with such election being binding for 96 consecutive calendar months.

Effective for tax years beginning after December 31, 1995, net income is computed using the Internal Revenue code in effect on December 31, 1995.

**PROPERTY TAX**- Kentucky has levied a property tax since the creation of the state in 1972. Prior to 1934, the property tax was the State's major revenue source. In that year, an attempt to remove the tax on real estate was ruled unconstitutional. The tax rate was then reduced from 30 cents to 5 cents per \$100 assessed value. The 1965 Special Session of the General Assembly further reduced the rate on real estate from five cents to 1.5 cents and on tangible property from 50 cents to 15 cents. House Bill 4, passed in the 1976 regular session of the General Assembly, established the power equalization program for school funding and raised the State tax rate on real property from 1.5 cents to 31.5 cents per \$100 of assessed value and the tax rate on tangible personal property from 15 cents to 45 cents per \$100 of assessed value. This increase in the State property tax rate was accompanied by a 30 cents per \$100 of assessed value decrease in local school tax rates. The tax rate on intangible personal property, which is not subject to local rates, remained at 25 cents per \$100. House Bill 44, enacted by the 1979 extraordinary legislative session, established a new rate setting mechanism, which limited the increase in aggregate revenues for all taxing districts in general, and specifically limited the State rate for real estate to no greater than necessary to provide a 4% increase in revenue from year to year. As a result, the State tax rate on real property has dropped 50.2% from 31.5 cents per \$100 in 1978 to 15.7 cents per \$100 in 1997.

The 1996 General Assembly repealed the bank shares property tax and enacted a bank franchise tax for state tax purposes and a local deposits franchise tax for local tax purposes. A discussion of the bank franchise tax follows.

**INHERITANCE AND ESTATE TAX** - The inheritance tax began in Kentucky in 1906 and provided that all property of persons residing in the State and property within the State owned by non-residents shall be subject to a tax of \$5 on each \$100 of its fair cash value at the times of their deaths. The original exemption was \$500. In 1936, 1948, 1976, 1978, and 1985, various changes in the then existing legacy brackets and exemptions were legislated into law. Effective for dates of death on or after August 1, 1985, the surviving spouse's exemption for inheritance tax increased from the previous \$50,000 to the total inheritable interest,

## COMMONWEALTH OF KENTUCKY

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and the tax rates for others range from 2% to 16% depending on the heir's classification and distributive share. An additional exemption of personal property (up to \$7,500) is available upon application to the district court by the surviving children (when there is no surviving spouse), regardless of whether the decedent died testate or intestate.

House Bill 2, enacted during the 1995 Second Extraordinary Session of the General Assembly, phases out the inheritance tax for Class A beneficiaries over a four year period and is applicable to individuals dying after June 30, 1995. Class A includes parents, children (natural, adopted and step), grandchildren, brothers, sisters, half-brothers and half-sisters. Class A was expanded under the bill to include brothers, sisters, half-brothers and half-sisters. These beneficiaries were originally in Class B. Other Class B and C beneficiaries were not affected by the bill. The inheritance tax for Class A beneficiaries will be completely phased out for deaths occurring after June 30, 1998. During the phase-out period, a Class A beneficiary is entitled to an exemption which is the greater of the exemption permitted under pre-July 1, 1995 law or a percentage of the inheritable interest. The following percentages apply: 25% for deaths from July 1, 1995 to July 1, 1996; 50% for deaths from July 1, 1996 to July 1, 1997; 75% for deaths from July 1, 1997 to July 1, 1998; and 100% for deaths on or after July 1, 1998.

The Kentucky estate tax is an amount by which the state death tax credit allowable under the federal estate tax law exceeds the total inheritance tax paid.

**PROVIDER TAX** - House Bill 250, enacted during the 1994 Regular Session of the General Assembly, continued the Kentucky Health Care Provider Tax. The bill, which was effective July 15, 1994, imposed a tax on hospitals, other providers of specified health care items or services, and persons providing outpatient prescription drugs. The purpose of the Health Care Provider Tax is to help fund Kentucky's \$2 billion Medicaid program. The Medicaid program is a joint federal-state medical assistance program that is operated and administered by the state. Approximately 25% of the funding for the program is provided by the state with the remaining 75% being funded by the federal government.

(Note: HB 397 enacted by the 1996 General Assembly created and amended various sections of KRS Chapter 142 to phase out the health care provider tax on physician services. The rate is 1% for the period July 1, 1997, through June 30, 1998; and 0.5% for July 1, 1998, through June 30, 1999. The tax on physician services will be entirely removed as of July 1, 1999.)

**BANK FRANCHISE TAX** - House Bill 416 as enacted by the 1996 General Assembly created the bank franchise tax. The tax is imposed on any financial institution which obtains or solicits business from 20 or more persons within the Commonwealth or has receipts attributable to sources in the Commonwealth which equal or exceed \$100,000. The bank franchise tax is based on a five-year average of net capital accounts reflected on the quarterly reports of condition filed with the applicable federal regulatory institution. The minimum tax is \$300 per year. Because HB 416 is effective for the calendar year 1996, the first tax returns and payments will be due on March 15, 1997.

**COMMONWEALTH OF KENTUCKY  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 FOR CALENDAR YEARS 1987 - 1996**

(Expressed in Thousands, Except Ratio Data)

For the Year Ended December 31	Real Property		Personal Property		Totals		Ratio of Total Assessed to Total Estimated Actual Value
	Assessed	Estimated	Assessed	Estimated	Assessed	Estimated	
	Value	Actual Value	Value	Actual Value	Value	Actual Value	
1987	\$ 57,406,207	\$ 61,265,936	\$ 98,039,467	\$ 98,039,467	\$ 155,445,674	\$ 159,305,403	97.6%
1988	61,308,019	65,320,574	101,100,506	101,100,506	162,408,525	166,421,080	97.6%
1989	63,730,690	72,466,699	117,635,547	117,635,547	181,366,237	190,102,246	95.4%
1990	69,798,888	80,228,607	124,398,999	124,398,999	194,197,887	204,627,606	94.9%
1991	74,626,422	84,802,752	132,552,592	132,552,592	207,179,014	217,355,344	95.3%
1992	78,150,012	87,809,002	140,219,154	140,219,154	218,369,166	228,028,156	95.8%
1993	82,268,682	89,422,480	141,750,516	141,750,516	224,019,198	231,172,996	96.9%
1994	89,570,464	95,287,728	153,225,083	153,225,083	242,795,547	248,512,811	97.7%
1995	94,579,246	100,616,219	161,791,401	161,791,401	256,370,647	262,407,620	97.7%
1996	101,534,494	108,015,419	152,832,983	152,832,983	254,367,477	260,848,402	97.5%

SOURCE: Kentucky Revenue Cabinet

NOTE: Assessed values are established through the utilization of an annual ad valorem tax based on the fair value of property.

**COMMONWEALTH OF KENTUCKY  
 PROPERTY TAX LEVIES AND COLLECTIONS  
 FOR FISCAL YEARS 1987 - 1996**

(Expressed in Thousands, Except for Percentages)

For the Year Ended June 30	Total	Current Tax	Percent of Levy	Delinquent Tax	Total Tax	Percent of Total
	Tax Levy	Collections	Collected	Collections	Collections	Tax Collections to Tax Levy
1987	\$ 264,271	\$ 239,541	90.6%	\$ 11,768	\$ 251,309	95.1%
1988	290,148	258,673	89.2%	11,239	269,912	93.0%
1989	292,001	270,216	92.5%	11,673	281,889	96.5%
1990	317,574	295,729	93.1%	7,617	303,346	95.5%
1991	342,116	313,503	91.6%	9,871	323,374	94.5%
1992	355,821	329,783	92.7%	8,765	338,548	95.1%
1993	372,168	345,089	92.7%	9,669	354,758	95.3%
1994	387,350	357,996	92.4%	12,204	370,200	95.6%
1995	412,789	377,710	91.5%	17,615	395,325	95.8%
1996	424,471	391,977	92.3%	17,200	409,177	96.4%

SOURCE: Kentucky Revenue Cabinet

NOTE: Property taxes are assessed as of January 1 of each year in one of two ways: 1) By the 120 Property Valuation Administrators within the State, or 2) by the Revenue Cabinet. The tax rates are set by the various taxing jurisdictions and applied to the particular assessment. Tax bills are delivered by September 15 of each year.

**COMMONWEALTH OF KENTUCKY  
RATIO OF GENERAL LONG-TERM BONDED DEBT  
TO ASSESSED VALUE AND DEBT PER CAPITA  
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Ratio and Per Capita Debt)

For the Year Ended June 30	Estimated Population	Assessed Value	General Long-Term Bonded Debt	General Bonded Debt	
				Ratio to Assessed Value	Per Capita
1988	3,680	\$ 162,408,525	\$ 2,205,049	1.4%	599
1989	3,677	181,366,237	2,243,965	1.2%	610
1990	3,687	194,197,887	2,292,249	1.2%	622
1991	3,715	207,179,014	2,790,549	1.3%	751
1992	3,753	218,369,166	2,819,240	1.3%	751
1993	3,794	224,019,198	3,144,038	1.4%	829
1994	3,826	242,795,547	3,098,553	1.3%	810
1995	3,857	256,370,647	3,133,332	1.2%	812
1996	3,884	254,367,477	3,134,342	1.2%	807
1997	3,941	237,700,000	3,000,858	1.3%	761

SOURCE: University of Louisville Center for Urban and Economic Research; Kentucky Revenue Cabinet; Office for Financial Management and Economic Analysis bond reporting systems.

NOTE: General long-term bonded debt outstanding includes adjustments to eliminate bonds accounted for by Proprietary Funds, State Universities, as well as adjustments reflecting updated amortization schedules, bonds redeemed prior to scheduled maturity, and correction of maturity.

**COMMONWEALTH OF KENTUCKY  
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL BONDED DEBT TO  
TOTAL EXPENDITURES FOR GENERAL GOVERNMENTAL FUNCTIONS  
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Ratio Data)

For the Year Ended June 30	General	Total	Ratio
	Long - Term Debt Service	Expenditures	
1988	\$ 217,848	\$ 5,257,062	4.1%
1989	230,626	5,282,836	4.4%
1990	260,347	5,876,952	4.4%
1991	334,487	6,945,390	4.8%
1992	413,450	7,808,004	5.3%
1993	284,323	8,014,622	3.5%
1994	357,122	8,058,025	4.4%
1995	416,756	9,177,980	4.5%
1996	392,130	9,473,403	4.1%
1997	332,127	10,159,672	3.3%

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Report.

**COMMONWEALTH OF KENTUCKY  
UNIVERSITY AND COLLEGE FUNDS REVENUE BOND COVERAGE  
FOR THE LAST TEN FISCAL YEARS**

(Expressed in Thousands, Except Coverage)

<b>For the Year Ended June 30</b>	<b>Unrestricted Current Funds Beginning Balance</b>	<b>Unrestricted Current Funds Revenues and Additions</b>	<b>Unrestricted Current Funds Expenditures and Transfers</b>	<b>Net Revenue Available for Debt Service Requirements</b>	<b>Debt Service Requirements</b>	<b>Coverage</b>
1988	\$ 121,257	\$ 970,955	\$ 954,275	\$ 137,937	\$ 50,693	2.72
1989	137,898	1,047,740	1,062,988	122,650	57,345	2.14
1990	122,650	1,125,850	1,115,634	132,866	57,802	2.30
1991	132,486	1,268,409	1,262,373	138,522	64,195	2.16
1992	139,539	1,377,283	1,372,630	144,192	73,763	1.95
1993	144,239	1,378,410	1,365,768	156,881	108,448	1.45
1994	156,881	1,446,681	1,405,432	198,130	81,304	2.44
1995	198,435	1,531,477	1,475,510	254,402	81,113	3.14
1996	254,402	1,584,733	1,587,982	251,153	84,791	2.96
1997	251,153	1,763,331	1,743,647	270,837	84,962	3.19

SOURCE: Commonwealth of Kentucky Comprehensive Annual Financial Reports; state universities' audited financial statements.

**COMMONWEALTH OF KENTUCKY  
DEMOGRAPHIC STATISTICS  
FOR CALENDAR YEARS 1987-1996**

<u>For the Year Ended December 31</u>	<u>Estimated Population</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>
1987	3,683,330	\$ 12,469	8.8%
1988	3,680,002	13,201	7.9%
1989	3,677,316	14,215	6.2%
1990	3,686,891 *	15,105	5.9%
1991	3,715,011	15,765	7.5%
1992	3,752,558	16,757	6.9%
1993	3,793,968	17,304	6.2%
1994	3,825,816	17,949	5.4%
1995	3,856,877	18,860	5.4%
1996	3,883,723	19,797	5.6%

SOURCE: U.S. Department of Commerce, Bureau of Census; U.S. Department of Commerce, Bureau of Economic Analysis; Kentucky Cabinet for Human Resources

NOTE: \* Actual population per 1990 census count

**COMMONWEALTH OF KENTUCKY  
CONSTRUCTION AND BANK DEPOSITS  
FOR CALENDAR YEARS 1987-1996  
(Expressed in Thousands, Except Number of Units)**

<u>For the Year Ended December 31</u>	<u>Non-Residential Construction</u>		<u>Residential Construction</u>		<u>Bank Deposits</u>
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	
1987	8,684	\$ 630,533	13,223	\$ 740,010	\$ 27,990,271
1988	8,318	682,821	13,363	786,711	29,908,656
1989	8,254	626,716	12,656	779,383	31,741,423
1990	7,823	655,650	11,810	771,010	33,487,743
1991	7,908	582,450	11,961	784,108	34,076,826
1992	8,437	677,181	14,689	1,023,682	34,882,000
1993	8,952	797,365	15,907	1,172,971	35,112,000
1994	10,024	801,728	18,554	1,370,011	37,352,000
1995	10,025	1,247,662	17,625	1,276,432	37,893,000
1996	See Note	See Note	18,778	1,484,079	39,769,000

SOURCE: U.S. Department of Commerce, Bureau of Census; Federal Deposit Insurance Corporation

NOTE: Beginning January 1996, the Bureau of Census, Building Permits Section has discontinued collection of Nonresidential Data due to budget reductions.

**COMMONWEALTH OF KENTUCKY  
SOURCES OF PERSONAL INCOME  
FOR CALENDAR YEARS 1987-1996**

Source	1987		1988		1989		1990		1991	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 698,023	2.1%	\$ 668,299	1.9%	\$ 1,041,550	2.8%	\$ 960,168	2.5%	\$ 982,549	2.4%
Agriculture Services, Forestry, Fisheries and Others	210,157	0.6%	228,087	0.7%	228,599	0.6%	252,155	0.6%	282,052	0.7%
Mining	1,802,150	5.5%	1,653,967	4.8%	1,539,587	4.2%	1,672,377	4.3%	1,516,241	3.7%
Manufacturing	7,513,846	23.0%	8,028,107	23.2%	8,479,029	22.9%	8,983,022	23.0%	8,940,688	22.1%
Construction	2,003,341	6.1%	2,066,377	6.0%	2,182,157	5.9%	2,204,377	5.6%	2,164,841	5.3%
Wholesale and Retail Trade	5,110,350	15.6%	5,362,697	15.5%	5,630,733	15.2%	5,881,745	15.0%	6,142,471	15.2%
Finance, Insurance and Real Estate	1,429,844	4.4%	1,513,601	4.4%	1,634,011	4.4%	1,741,932	4.5%	1,809,691	4.5%
Transportation and Public Utilities	2,432,715	7.4%	2,527,672	7.3%	2,650,779	7.2%	2,810,563	7.2%	2,982,636	7.4%
Services	6,027,184	18.4%	6,734,587	19.4%	7,394,411	20.0%	7,937,785	20.3%	8,468,830	20.9%
Government and Government Enterprises	5,499,784	16.8%	5,854,794	16.9%	6,168,571	16.7%	6,644,978	17.0%	7,206,843	17.8%

Source	1992		1993		1994		1995		1996	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Farm	\$ 1,169,147	2.6%	\$ 1,011,315	2.2%	\$ 1,008,405	2.1%	\$ 668,006	1.3%	\$ 1,085,193	2.0%
Agriculture Services, Forestry, Fisheries and Others	296,803	0.7%	310,551	0.7%	321,403	0.7%	342,510	0.7%	365,946	0.7%
Mining	1,508,979	3.4%	1,470,067	3.2%	1,479,336	3.0%	1,387,952	2.7%	1,348,202	2.5%
Manufacturing	9,716,135	22.0%	10,346,564	22.3%	11,088,127	22.8%	11,595,248	22.8%	12,016,319	22.4%
Construction	2,426,217	5.5%	2,646,143	5.7%	2,843,673	5.8%	2,899,729	5.7%	3,108,547	5.8%
Wholesale and Retail Trade	6,589,659	14.9%	6,924,875	15.0%	7,393,557	15.2%	7,886,715	15.5%	8,250,372	15.4%
Finance, Insurance and Real Estate	2,050,433	4.6%	2,325,727	5.0%	2,319,690	4.8%	2,484,723	4.9%	2,673,166	5.0%
Transportation and Public Utilities	3,184,837	7.2%	3,333,532	7.2%	3,558,347	7.3%	3,719,748	7.3%	3,934,875	7.3%
Services	9,345,203	21.2%	9,950,752	21.5%	10,469,582	21.5%	11,272,878	22.2%	12,008,576	22.3%
Government and Government Enterprises	7,870,328	17.8%	7,993,304	17.3%	8,242,943	16.9%	8,615,843	16.9%	8,945,274	16.6%

SOURCE: U.S. Bureau of Economic Analysis; Regional Economic Information System, September, 1996.

NOTE: Percentages may not add to 100% due to rounding.

**COMMONWEALTH OF KENTUCKY  
LARGEST MANUFACTURERS**

(Ranked by Number of Employees - 800 or more)

**1997**

<u>Company</u>	<u>Number of Plants</u>	<u>Number of Employees</u>	<u>Company</u>	<u>Number of Plants</u>	<u>Number of Employees</u>
General Electric Company	7	13,120	Mattel, Incorporated	1	1,300
Ford Motor Company	2	8,200	Ashland Oil, Incorporated	3	1,209
Toyota Motor Corporation	1	6,800	General Tire Incorporated	1	1,200
Fruit of the Loom, Incorporated	3	6,150	Corning Incorporated/Dow Chemical	3	1,191
Lexmark International, Incorporated	1	5,000	Nine West Group Incorporated	4	1,184
Johnson Controls, Incorporated	11	4,260	Square D Company	1	1,175
Emerson Electric Company	10	3,846	Matsushita Electric Industries Company	3	1,165
R.R. Donnelly and Sons Company	2	2,285	Osram	3	1,165
Philip Morris Companies, Incorporated	1	2,282	World Color Press	1	1,150
Sumitomo Electric Ind./Sumitomo Wiring	3	2,100	Gannett Company, Incorporated	1	1,133
General Motors Corporation	3	2,050	N.S. Group, Incorporated	2	1,114
Flynn Enterprises Incorporated	5	2,010	COMALCO	1	1,100
Jones Plastic and Engineering Corporation	5	1,935	Hudson Foods, Incorporated	1	1,100
Conagra, Incorporated	4	1,866	Mid-South Industries, Incorporated	2	1,100
Courtaulds PLC	2	1,865	Continental Metal Specialty Incorporated	4	1,096
Alcan Aluminum Corporation	4	1,852	Seaboard Farms	1	1,075
Martin Marietta Corporation	1	1,800	American Brands, Incorporated	4	1,023
Eaton Corporation	3	1,789	Kentucky Apparel and Laundry Co.Inc.	6	1,016
Brown-Forman Corporation	5	1,768	Hitachi Limited	1	990
Dana Corporation	5	1,699	Oshkosh B'Gosh, Incorporated	2	985
Publishers Printing Company	2	1,695	Raytheon	1	970
AK Steel Company	1	1,600	Palm Beach Company	2	970
American Greetings Corporation	2	1,580	Phelps Dodge Corporation	2	945
Carhartt Incorporated	7	1,510	Gibbs Die Casting Aluminum Corporation	1	900
Jockey International, Incorporated	4	1,505	Dalgety	1	900
Leggett and Platt, Incorporated	6	1,479	United Catalysts, Incorporated	1	900
American Standard, Incorporated	2	1,460	Willamette Industries	5	895
Duro Bag Manufacturing Company	3	1,374	Southwire Company	2	887
Reynolds Metals Company	5	1,341	Kendall Company	1	800
Louisville Bedding Company	2	1,340	Tecumseh Products Company	1	800

SOURCE: 1997 Kentucky Directory of Manufacturers, published by the Department of Economic Development

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF MISCELLANEOUS STATISTICS**  
**JUNE 30, 1997**

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Adoption of Kentucky Constitution	1792
Form of Government	Legislative, Executive, Judicial
Land Area (square miles)	39,650
Miles of Highways, Roads and Streets	73,172
Police Protection:	
Statewide Jurisdiction	
Number of Kentucky State Police Posts	16
Number of Sworn Officers	946
Number of Other Statewide Agencies	6
Number of Officers	640
County Jurisdictions	
Number of Sheriffs	120
Number of Deputies	1,104
Number of County Departments	11
Number of County Officers	609
Local Jurisdictions	
Number of Departments	237
Number of Sworn Officers	3,481
College and Universities	
Number of Departments	11
Number of Sworn Officers	180
Higher Education:	
State Supported Universities and Community Colleges	
Number of Campuses	22
Number of Full-Time Instructional Faculty	5,242
Number of Students, Fall 1996	149,338
Private Colleges and Universities	
Number of Campuses	21
Number of Full-Time Instructional Faculty	1,293
Number of Students, Fall 1996	24,451
State Supported Recreation:	
Number of Resort Parks	15
Number of Recreation Parks	24
Number of Historic Sites	10
Area of State Parks (acres)	44,000
Number of 1996 Overnight Visitors	1,146,300
Permanent Full-Time Executive Branch Employees	33,832
SOURCES: Kentucky Revised Statutes	
Kentucky Transportation Cabinet	
Kentucky State Police	
Kentucky Council on Higher Education	
Kentucky Department of Parks	
Kentucky Department of Personnel	

**COMMONWEALTH OF KENTUCKY  
ENTITY RISK POOLS  
CLAIMS DEVELOPMENT INFORMATION  
FOR THE LAST NINE YEARS**

(Expressed in Thousands)

<b>Kentucky Kare</b>	<b>Fiscal and Policy Year Ended</b>								
	<b>1989</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>
Earned Premiums	\$ 57,750	\$ 92,522	\$ 111,010	\$ 136,636	\$ 155,314	\$ 133,365	\$ 139,525	\$ 114,962	\$ 107,551
Earned Investment Income	1,339	2,966	3,448	3,289	3,322	3,990	6,994	6,295	4,645
Total	59,089	95,488	114,458	139,925	158,636	137,355	146,519	121,257	112,196
Administrative Expense	3,035	4,663	5,193	5,591	5,887	5,833	5,579	3,361	4,780
Incurred Claims as									
Originally Estimated	46,870	78,871	95,210	117,570	128,942	143,133	144,479	131,132	135,922
Claims Paid (Cumulative) as of:									
End of Fiscal Year	31,920	62,673	76,254	96,279	110,178	123,980	116,761	111,943	114,232
One Year Later	46,607	77,552	95,956	113,587	126,314	144,858	141,537	125,868	
Two Years Later	48,051	78,565	95,956	116,819	126,476	145,097	141,918		
Three Years Later	48,051	78,565	95,976	116,819	126,476	145,097			
Four Years Later	48,051	78,565	95,976	116,819	126,476				
Five Years Later	48,051	78,565	95,976	116,819					
Six Years Later	48,051	78,565	95,976						
Seven Years Later	48,051	78,565							
Eight Years Later	48,051								
Re-estimation of Incurred Claims									
End of Fiscal Year	46,870	78,871	94,646	117,570	128,943	143,133	144,479	131,132	135,922
One Year Later	46,870	78,915	96,132	113,739	129,086	145,044	143,371	128,159	
Two Years Later	48,051	78,565	95,976	116,819	127,486	145,062	141,918		
Three Years Later	48,051	78,565	95,976	116,819	126,476	145,097			
Four Years Later	48,051	78,565	95,796	116,819	126,476				
Five Years Later	48,051	78,565	95,796	116,819					
Six Years Later	48,051	78,565	95,796						
Seven Years Later	48,051	78,565							
Eight Years Later	48,051								
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation as of the End of the Most Recent Fiscal Year	1,181	(306)	766	(751)	(2,466)	1,964	(2,561)	(2,973)	

SOURCE: Per Compilations Report

**COMMONWEALTH OF KENTUCKY  
 ENTITY RISK POOLS  
 CLAIMS DEVELOPMENT INFORMATION  
 FOR THE LAST SEVEN YEARS**

(Expressed in Thousands)

	Fiscal and Policy Year Ended						
	1991	1992	1993	1994	1995	1996	1997
<b>State-Workers' Compensation</b>							
Earned Premiums	\$ 7,687	\$ 9,263	\$ 13,426	\$ 14,052	\$ 12,991	\$ 14,470	\$ 14,095
Earned Investment Income							
Total	<u>7,687</u>	<u>9,263</u>	<u>13,426</u>	<u>14,052</u>	<u>12,991</u>	<u>14,470</u>	<u>14,095</u>
Administrative Expense	609	688	821	669	401	542	554
Incurring Claims as							
Originally Estimated	9,057	11,109	11,013	15,531	12,727	14,709	14,982
Claims Paid (Cumulative) as of:							
End of Fiscal Year	2,854	3,076	3,129	3,441	3,093	3,010	2,615
One Year Later	5,634	5,626	6,308	6,492	5,797	5,882	
Two Years Later	7,538	7,034	8,163	8,207	7,588		
Three Years Later	8,781	7,942	9,743	9,152			
Four Years Later	9,415	8,569	10,664				
Five Years Later	9,945	8,857					
Six Years Later	10,348						
Re-estimation of Incurred Claims							
End of Fiscal Year	9,057	11,109	11,013	15,531	12,727	14,709	14,982
One Year Later	15,496	10,420	12,589	15,277	12,883	14,502	
Two Years Later	13,099	10,956	13,269	16,075	13,266		
Three Years Later	13,152	10,859	13,858	15,324			
Four Years Later	13,837	11,373	14,421				
Five Years Later	14,008	11,668					
Six Years Later	14,124						
Increase (Decrease) in Estimated Incurred Claims From the Original Estimate Using Re-estimation as of the End of the Most Recent Fiscal Year	5,067	559	3,408	(207)	538	(207)	

SOURCE: Per Compilations Report

## ACKNOWLEDGMENTS

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